With Our Readers

Sirs:

In your number of June 8th one of your readers (W. C., Buffalo, N. Y.) poses a problem which has stumped many another an inquirer—the problem of what to do with the ever-increasing numbers of workers who are being and are likely to continue to be displaced because of the ever-greater efficiency of machines. Your comment in reply does not, in my opinion, reach the heart of the problem. Of course, technological progress means lower costs; lower costs mean greater purchasing power; greater purchasing power means a demand for larger production *and consequent additional employment.* But can this additional employment be expected to be more than a fraction of the vast present army of unemployed? Enlarged purchasing power does, as you say, make for prosperity. *But prosperity not for the community as a whole, but for only a part thereof, even if it be the larger part.* Is it not the inevitable tendency that, as machines are made even more and more efficient, the demand for human labor should dwindle even more and more, the total purchasing potential be thus steadily lowered, the number of those able to share in "prosperity" grow ever less and less? —M. S. H., Baltimore, Md.

Sirs:

If you can tell us how costs can be lowered so that 47 billions will purchase the same amount of luxuries and necessities as 85 billions did I will agree with you.

My view is that technocracy has explored and mechanized all fields and henceforth its office will be to refine what has already been developed with the purpose of further displacing human labor.—W. C., Buffalo, N. Y.

Answering both of the above letters, the machine did not reduce the national income from 85 billions in the last boom to 47 billions in the present depression. If such were true, it would have tended to reduce our national income steadily over the decades of intensive mechanization prior to 1929. If this were true, the machine in the past fifty years would have displaced the entire working population. Directly and indirectly, the acute depression in construction accounts for the largest single group of the unemployed. Plainly this can not be blamed on technocracy, for construction remains largely a handicraft affair and of all major industries has been least affected by mechanization. Stagnation in construction and in foreign trade together probably account directly and indirectly for more than half of all present unemployment. We do not see how the machine can be blamed for the deplorable position of world trade. The reasons for this are elsewhere and fairly obvious. More than fifty years ago our United States Commissioner of Patents resigned with the explanation that he saw nothing else that could be invented! It has been stated that half of the people visiting the Chicago Fair in 1933 and 1934 make their livelihood out of industries which did not exist at the time of the preceding World's Fair late in the Nineteenth Century. The machine in seventy-five years was chiefly responsible for raising our standard of living nearly three-fold. It will once more in time carry us to a still higher and more widely distributed prosperity, whereupon the attacks of the pessimists will be forgotten—until we overdo a good thing and the next depression happens along.—Ed.

Sirs:

I wonder whether Roosevelt or his conservative opponents have any idea what it is all about. Wringing his hands over N R A, Roosevelt apparently still thinks this cock-eyed experiment was a recovery measure. The opposition is still weeping tears over the late gold standard and credits the so-called "natural forces" for such recovery as we have had. I see no evidence of recovery, natural or otherwise, in France, Holland and Switzerland. I see much evidence of recovery in every country which has cut loose from the gold standard and which has met deflation by currency re-valuation or depreciation. Surely this is more than a coincidence. It seems to me regrettable that our recovery should have been, and still is, bedevilled by so many extraneous issues. Apparently the New Deal blundered on to the right track early in 1933, only to lose patience and blunder off again a few months later in its zeal not only to regulate money but nearly everything else. That was when it bit off more than it could chew.

Incidentally, have you ever heard an Englishman refer to the pound sterling as a "fourteen-shilling" pound? It is still the "pound." So is the dollar still a 100-cent dollar. Not only is its domestic purchasing power considerably higher than it used to be before the war, but even in the foreign exchanges it is nonsense to call it a "60-cent" dollar. Only little Switzerland and Holland have currencies on the pre-war gold parity and only in these two relatively small areas of the world's commerce is the dollar really a "60-cent" dollar. We forget that even in terms of our devalued dollar, the French franc is worth only about 6½ cents, against the pre-war parity of around 20 cents. Sterling and the currencies tied to it are depreciated approximately as much in terms of gold as is the dollar, which means that the dollar's relationship over the greater part of the commercial world is about what it always was in normal times before the war.—G. G. L., New Orleans, La.

Sirs:

I am thinking that even Mr. Tugwell should blush these days when anyone mentions "national planning." Certainly the New Dealers have had a fair chance to demonstrate their ability as planners, yet what we have really seen has merely been a breath-taking hodge-podge of improvisations, the majority of which experiments have either been dropped or overhauled from top to bottom after they collided head-on with the plain facts of life. Take a look at the relief policy alone. We tried P W A and direct relief, and then came the shift to C W A, which practical men warned Roosevelt against; and then we went back to direct relief, from which we again veered back to work relief on general P W A lines. So what? After what the public has assumed to be months of planning, it develops that if we want $4,000,000,000 to give work to 3,500,000 men it can only be done by going back to something which has all the earmarks of the old C W A under another name! Can you beat it? If this is "national planning" I nominate Will Rogers or Eddie Cantor or W. C. Fields or Ed Wynn for President. — R. P., Madison, Wis.

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Vol. 56 No. 6 **July 6, 1935**

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"The Biggest Failures"

A RECENT statement by the Secretary of the Interior that "the biggest failures in public life I have ever known have been business men" brought to mind a recent expression from one of our readers. It was a letter from a woman whose contacts with business men have naturally been far less extensive than those of Mr. Ickes. Nevertheless her observations are so much in accord with the experience of countless others as to cause one to reflect.

Like all of us, this young woman has read the numerous Washington releases and listened to the various "New Dealers" over the radio. She has heard that the business man was to blame for the woes that have beset the country for the past five trying years, and that only through a great reformation can prosperity be brought back. She wonders whether this is so and says to us in part:

"My husband died at an early age, but my father left me an interest in his business that has been sufficient to provide support for me and my two boys. . . . After hearing hundreds of radio orators and reading hundreds of news articles declaring that business men could not be trusted, and that only through a 'New Deal' could conditions be righted, I began to give the matter a good deal of thought.

"Looking back over the business men I have dealt with in the six years that I have been on my own, I cannot find where one took any unfair advantage of me—indeed, if I had followed the advice of business men more closely, I would have suffered less heartaches. I lost some money during the crash of 1929, but would not have done so if I had listened to the counsel of my husband's associate, who, even though he is a business man, and might even be called a banker, warned me against becoming over-extended. However, that is water over the dam, and the loss was not serious. The home I built is entirely satisfactory, the car I drive is well worth every dollar it cost. A year ago my boy was suddenly taken seriously ill at an early hour in the morning, and I will not believe that the telephone company officials are 'vultures' when I think how quickly the proper medical attention arrived through the medium of the phone. Summing up, I am well satisfied with every business man I deal with from the small shoemaker to the large public utility.

"Unfortunately, I cannot say the same for the politicians or 'city fathers' with whom I am forced to deal from time to time. Protests against ever-increasing taxes bring no relief. I live in a small city where we have what might be termed a 'Junior New Deal'. Although thousands of dollars of taxpayers' money have been spent here in the past few years, not one worthwhile improvement has been made, as I do not consider monuments to obscure persons, parks in inaccessible places, etc., worth the effort and money. To cap the climax, a new post office will be completed next month, erected about two miles from the business center and large enough to handle the business which only a large city could really support. It is an open secret that the site for the post office was purchased, at great cost, because it belonged to the family of a prominent politician who left office under a cloud some years ago, only to return at the last national election.

"The new post office is to be dedicated next month, amid great fanfare, but I hope to be out of the city on that date. I would much rather go to the other end of town and see nearly a hundred contented workers passing through the doors of the chemical plant, erected during the worst year of the depression by a local 'business-man.' I am thankful that my two boys are not yet interested in political speeches over the radio and in the newspapers."

These remarks impress us as a homely comparison between business and political methods that does not bear out the views of Mr. Ickes, unless he meant to convey that business men are failures in public life because they are poor politicians. This we can imagine for they know from experience that profligate spending usually ends in bankruptcy. That is something our politicians apparently never learn.

In the Next Issue

What's Wrong With Your Investments?

By J. S. Williams

This informative study will present and analyze typical portfolios and offer practical guidance as to how they may be strengthened and adjusted to the individual investor's requirements of income, safety and appreciation.

The Next Six Months for the Movies

By Stanley Devlin

Which companies will get the lion's share of the present improvement in attendance and revenues?

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By A. T. Miller

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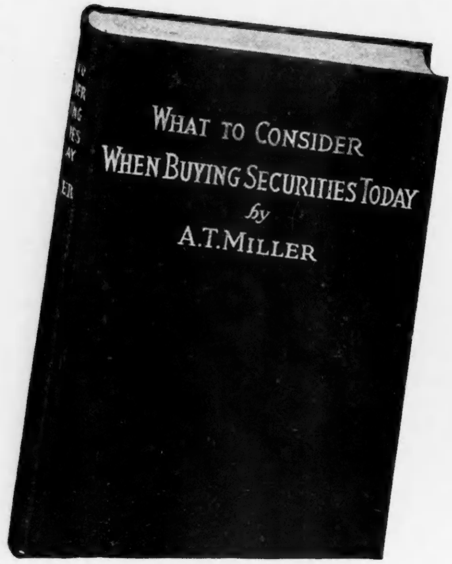

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   - —Investment opportunities born of the business depression.
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The Trend of Events

A STEP TOWARD COLLECTIVISM

THE principle of restricting the growth of great fortunes from generation to generation has long been generally accepted and is already deeply imbedded in American taxation law. The present Federal estates tax approaches expropriation of those parts of an estate exceeding $10,000,000. It is now proposed to add to the estates tax an inheritance tax of large proportions in the upper brackets. Before such taxes are enacted Congress should give careful study to their incidence. It would be judicious to consider making a distinction between inheritances in the nature of productive businesses as against those which merely represent passive ownership. It is conceivable that the inheritance tax might wreck a prosperous and socially beneficial industry though compelling an efficient heir to part with it in whole or part in order to raise the cash for taxes. Or it might have to be sold to a competitor, thus resulting in aggregation instead of distribution of ownership.

The suggested plan of graduated taxation on corporation income is open to criticism because it tends to put a heavier burden on the machinery of production of wealth as a whole and also discriminates against the great majority of investors in securities, since most put their funds into the larger corporations, which under the proposed schedule would be subjected to a tax of 17½ per cent on net income in excess of $1,000,000, whereas the smaller corporations, usually closely held, would get off with as little as 10 per cent.

On the score of distributing wealth with a minimum of direct economic injury there is not much fault to find with the contemplated boosting of surtaxes on personal incomes in excess of $1,000,000 by as much as 25 per cent, but the question is properly raised as to whether such taxation would check the useful formation of capital. Owing to the fact that there are but few incomes in this class the effect of heavier taxation would be negligible in respect to capital accumulation.

As a measure for the raising of funds to balance the budget the program is a flop and a political sham, yielding no more than the Federal tax on cigarettes. Yet it must be regarded as driving deeper the wedge of socialization under the guise of taxation and as a sapping of individualism. It works purposely in the direction of collectivism by destroying the motives and methods of capitalism.

WHAT OF IT?

SECURITY owners fare better than wage workers in both boom and depression, says the summary of a "study" made by the N R A Research and Planning division. Figures don't lie, but we have observed that

official agencies with a preconceived case have a neat way of presenting figures to suit their purpose.

This study lumps dividends and interest payments as return to security owners. What could be more absurd? The only reason total interest payments went up in the boom was that total obligations increased. The individual holding a 4 per cent bond got no added increment in the boom, nor, having invested prudently for a modest but safe return, could he be expected to take a loss in depression.

Dividends alone may very well have outrun the advance in total wage payments in 1929, but we remain to be convinced that wages fell any harder than dividends did in the depression. In one respect this summary is illuminating. It concedes that total return to security holders in 1929—including temporarily swollen dividends—was only $13,000,000,000, against a labor income of $53,000,000,000. In 1932 security income was $8,000,000,000—with bond interest the backbone of the total—and labor income was $31,000,000,000.

What this report was designed to prove we do not know. The summaries of it make out a pretty good case for the profit system.

SEASONAL TREND IN POLITICS

ALONG about this time Washington weather can be expected to become even more torrid than Washington politics, giving the gentlemen of Congress much reason to solve or shelve remaining issues as fast as possible and take a chance it will not be hotter back home. Despite our capital city's boom in air-conditioning—at public expense—this boom has not yet been extended to the offices of Senators and Representatives. It is here that they spend most of their time, rather than in the air-conditioned chambers of the Senate and House.

We hate to play the part of a kill-joy when the country is looking forward with pleasure to the adjournment of Congress, to a grateful lull in the tempest of politics, to the interlude when business can turn both eyes to its own affairs and the baseball scores, and when heat wave stories temporarily intrude upon the New Deal's space on the front pages of the newspapers—and yet a disquieting thought hits us concerning the longer outlook. At the present rate all of Washington may soon be air-conditioned. We're violently opposed to that. If it becomes the most comfortable summer resort in the country Congressmen might never go home!

ANOTHER PLANNING FIASCO

JUST as Nature assisted by some relenting on the part of A A A seems inclined to hand the United States a fair-sized wheat crop against the background of a normal holdover and a severely reduced surplus of European wheat, the Canadians find the prospects of a bumper crop shadowed by an enormous carryover, due largely to a form of governmental planning. Repeating the mistakes of our defunct Agricultural Board, the Canadian government has been trying to defy world prices and conditions for four years. Result: the government has 229,000,000 bushels of wheat against which there is a gross liability of $205,000,000, and a net liability, on the basis of the pegged Winnipeg price, of $11,000,000. Thus, as we stumble into line with world conditions the Canadians continue to try to control the uncontrollable. But the Canucks may have Lady Luck with them. Nature may right the mistake of the planners by dealing out a world scarcity. We hope so. The rout of the drought in most of the West has set the stage for a grand climax of recovery if wheat prices are good. A big wheat crop at a good price has always been a prosperity starter in this country. Government benefits to make up "parity prices" are just as good dollars as those that come from the markets, but they inspire no optimism, and the transportation charge on checks is nothing. Double-boxed wagons rolling to market, full of grain, are wealth flowing into widely beneficial commerce. They signify product exchanged for product. Government benefits stand for a one-way commerce and a camouflaged dole.

CORPORATE SURPLUSES

THE corporate surplus is on the defensive with politics clamoring for its head, yet who is sufficiently wise and well informed to decide just what constitutes a proper surplus?

Surely it would seem obvious that the problem differs enormously from company to company, from industry to industry, from one period of time to another. That being so, the responsibility should belong to individual managements and to them alone. We realize that saving today is in more or less disgrace, but the country needs to be reminded that we got through this depression without social upheaval largely because business and industry was able to continue paying out a huge total of wages and salaries out of the fat accumulated in prosperous years.

The cold figures are illuminating. In the three years 1930 through 1932 American business paid out approximately $23,000,000,000 more income to wage and salary workers, stockholders and bondholders than was produced. Wage and salary workers got the bulk of this. Where did it come from? From surpluses.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 280. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, July 1, 1935.

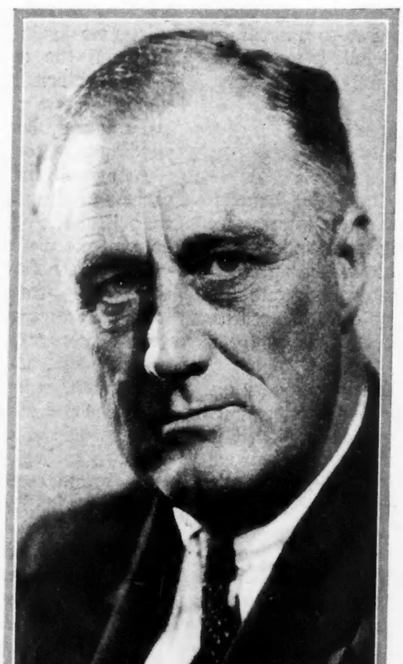
As I See It — By Charles Benedict

What Manner of Man Is Franklin D. Roosevelt?

TWO years ago the American people had supreme faith in the sincerity and wisdom of Franklin D. Roosevelt. They mounted him upon a pedestal of personal popularity and affection seldom, if ever, equalled in a President. They entrusted to him powers of administration exceeded in the world today only by the powers of the European dictators, Hitler, Mussolini and Stalin—confident that those powers would be used with wisdom, moderation and justice to all. Even when mistakes were made the people were reluctant to criticize the President. They made sympathetic allowance for the stress and strain of his labors and confined their blame to his advisers.

Unfortunately for the nation, the popular appraisal of Mr. Roosevelt today is greatly changed. It is by their deeds that men reveal themselves as possessed of truly heroic stature or mediocrity. It is when the smooth road ends and opposition dares to differ with or seeks to thwart the will of the executive that innate character expresses itself. We saw Mr. Roosevelt show courage and decision in the black days of early 1933. That was one side of his character. It is clear today that there is another side,—the side of which there was an inkling in his record as Governor of New York, revealing him as possessing irresponsible tendencies which are not reconcilable with true republicanism or democracy. Even then he disregarded platforms and personal promises.

Franklin Roosevelt is by descent, breeding and property a member of the American aristocracy. And, it is not the first time that reforms and revolutions have been led by men of the privileged classes. From the time of the Gracchi of Ancient Rome the upper classes have always contributed leaders to revolt and revolution of the masses.



Wide World Photo.

George Washington, generalissimo of the American Revolution, which was both a political and social revolution, was not only an aristocrat by birth but was the richest man of his time in America.

The Marquis de La Fayette, the great French supporter of the American Revolution who became a general in the American Revolutionary army, was the only member of the French Assembly of Notables of 1787 to demand that the States General be convoked by the king to reform the state. He was thus the No. 1 leader of the revolution.

Mirabeau, a member of the French nobility and a member of a wealthy family, was the brains of the first stage of the French Revolution, sitting in the States General of 1789 as a member of the Third Estate notwithstanding his noble rank. However, Mirabeau was a conservative revolutionist. He was sincere and stood for a strong, just and liberal government and had he not been suddenly summoned by death might have prevented the bloody and tyrannical excesses of the French Revolution.

Franklin Roosevelt, on the contrary, has done everything to forment a class war between the various citizens. As President in a critical period he has again and again demonstrated a strong attachment to personal government. As much as the American scene permits he has used power as Mussolini, Stalin and Hitler use it, to bring about changes which were not mandated by the people. He has steadily sought to under-

(*Please turn to page* 322)

¶ *The Roosevelt Tax Program Adds New Uncertainty*

¶ *Seasonal Recession in Business Activity Continues*

What's Ahead for the Market?

By A. T. Miller

ONE fly or another may be expected from time to time to buzz into the bullish ointment with which the stock market has been more or less anointed in recent months. This time, following prompt recovery from the brief N R A reaction in late May, it has been the sudden launching of President Roosevelt's new tax program, publicized somewhat excitedly in the newspapers as a move to "soak the rich" and "share the wealth."

After giving the matter a week of thought, the market at this writing does not appear to be unduly disturbed. The resulting reaction in the majority of issues has been but a ripple; no more, in fact, than would have been readily justifiable on technical grounds alone, without the tax news, considering the rather brisk advance of the preceding fortnight.

There are two possible explanations for this performance. Either the market is so confident of the soundness of its present position in discounting continued recovery that it tends to become less and less responsive to unsettling political developments, or, on the other hand, it may feel that the proposed new taxes constitute onlv a relatively minor threat to business profits.

Added Corporate Taxes

The final rates on corporate income taxes, of course, remain to be worked out, and this is of more interest to the market than inheritance taxes or higher income taxes on the very small minority of citizens who will be affected. It is estimated that the suggested graduated corporate income taxes, ranging from 10 to 17½ per cent, if applied to 1934 business profits, would have reduced them by from 3 to 4 per cent.

Naturally, there is no question but that the imposition of this added burden will be an unfavorable development. The only question concerns the degree of adversitv that it represents. As to this, our opinion is that it will prove to be of secondary importance, only one of the multitude of factors that govern corporate profits and the selection of common stocks for investment or speculation. For example, the imposition of these taxes a year ago would not have materially changed the bright picture of percentage gains in earnings of numerous well situated companies shown by comparison of first quarter profits with those of a year ago or to be shown in forthcoming statements for the first half of this year in contrast with the first half of 1934.

This is not to say that this new development can be casually dismissed. The motives behind it and the further impetus that it gives in shaping up a clear-cut radicals-versus-conservatives issue for the 1936 national election may well give one food for thought. Relative, however, to other forms of property or fixed obligations—which are also under the cloud of a rising trend of taxation—it can hardly be held to make good common stocks any the less preferable as investments.

Yet even if it is not of itself valid reason for important decline in the market, it would seem logical to hold that at this time of seasonal slackness in business and continuing Congressional uncertainties it is an added justification for caution in estimating the immediate speculative outlook.

Are "Blue Chips" Too High?

In not a few of the more popular stocks hopes concerning the business and profit trends of the second half of the year have been rather richly anticipated, even allowing for the continuing abnormal ease of money rates. So far as concerns the possible development of a broad summer speculation, we again prefer prudently to leave the burden of proof on the market, meanwhile avoiding "Blue Chip" equities which have had major advances this year and confining new purcases to such sound, but less popular, issues as may be obtained in periods of recession at prices yielding a reasonable dividend return.

As against the yield basis of 3 to 4 per cent attained by various of the more popular equities of investment caliber, we believe the odds from this point onward favor secondary or semi-speculative dividend-payers of considerably higher yield. With few exceptions—where a dynamic change in the earnings trend has justified speculative advance on the basis of anticipating future dividends—the record of the year demonstrates that the most profitable speculation under present conditions is that which adheres most closely to investment principles. Pools have not put stocks up. Earnings and dividends have. The odds have been predominantly on the dividend-payers and, in our opinion, continue so to be.

In group movements the industrials have continued to have the edge by far over the past fortnight, yet even here increasing irregularity is evident as potential buyers closely scan changing industrial trends. Among motors Chrysler continues to dominate the speculative show, as is justified by its current earnings performance; while various motor accessories remain in demand beyond their usual seasonal peak of market popularity both because profits are highly favorable and because motor production and sales continue to hold at surprisingly satisfactory levels.

For the first time in weeks the mail order shares have come in for favorable attention, reflecting excellent sales reports. Farm equipments, electrical equipments, tobaccos and chemicals remain close to the year's best prices. The

creeping recovery in residential construction supports hopeful speculation in the depressed building materials stocks.

On the other side of the picture steel shares remain rather much in the doldrums, the packers reflect the unfavorable effect of high meat prices upon public demand; while the oils, coppers, sugars and fertilizers reflect an increasingly uncertain price outlook attendant upon the recent removal of artificial controls.

Rail shares appear to be in a modestly improved speculative position, since operating costs have hit a ceiling for some time to come and the prospect is for a moderately larger freight movement during the third quarter than was the case last year, the change being due mainly to larger crops. The utilities at this writing remain under the cloud of the Wheeler-Rayburn Bill, still under discussion in Congress. The only doubt is whether the sentence will be death for the holding companies or a degree of Federal regulation so strict as to be but little preferable to death—not particularly happy alternatives for utility holding company stockholders.

Of probable future significance to several stock groups, the outcome of the present growing number of suits brought to test the constitutionality of the A A A processing taxes will be worth close watching. The total of such suits now in the court numbers approximately fifty, seventeen having been filed in the past week. Temporary injunctions applying to individual concerns have been granted in lower courts in several instances. The probabilities are that a test of the basic issue will reach the Supreme Court in the autumn.

This is a matter not only of interest to the farmers, but of very definite concern to several major industries adversely affected by the processing taxes, notably the tobacco manufacturers, meat packers, corn refiners, packaged food companies, bakers and cotton textile producers. The processing tax on tobacco is estimated to have cost the three largest makers of cigarettes at least $20,000,000 in 1934. The packing industry has been hard hit by these taxes. On average consumption of corn, the corn refining industry would pay $3,000,000 to $4,000,000, a year. Manufacturers of packaged foods believe elimination of this impost would tend to stimulate sales by permitting moderately lower prices.

The grocery chains, now confronted with marked consumer resistance to prices of various foods, especially meats, would be helped to some extent by elimination of these taxes. As for cotton textiles, it is a vital matter, since the tax adds 4.2 cents per pound to the cost of raw cotton. This is estimated to increase the cost of the raw material to cotton mills by approximately 30 per cent and to increase the total cost of cotton textiles by 12 per cent. Together with sharply higher wage costs, this tax has raised prices of cotton textiles to a level at which it has been found impossible to sell goods to the public in normal volume. New England mills alone are estimated to have paid more than $30,000,000 to the A A A during the past year, and, along with the rest of the industry, are, of course, running at a loss.

So far as the above industries are concerned, the final disposition of the A A A's constitutional status will be considerably more important than the recent decapitation of the N R A.

The current business records reveal a continuing sagging tendency more or less normal at this season, but with aggregate activity remaining comfortably above that of a year ago. It is at least on the favorable side that this year's business reaction has thus been so gradual that it permits a hopeful business sentiment to be maintained. This is in marked contrast to the abrupt relapses of 1933 and 1934, each of which gave the country a good case of the "jitters."

The business prospect for the third quarter is considered in a special article on following pages. Herein, therefore, we shall confine comment to the immediate movement. Motor production holds steady at about 90,000 cars for the latest week, the same as for the preceding week; and comparing with approximately 70,000 units at the same time last year. Sales continue at a satisfactory level and dealer stocks are reported to be about normal.

Steel operations have sagged further to a level around 38 per cent of capacity, against 55 per cent a year ago. The latter figure, however, was accounted for by forward buying in the second quarter of last year in advance of a price jump. The chances are that further recession in the operating rate in the near future will be moderate, but on the other hand the basis of a nearby reversal of the trend is not in sight.

For the country as a whole retail trade is reported holding above a year ago, with the best comparisons, as for some time, in rural areas where expanded farm purchasing power is most directly reflected. Car loadings continue to reflect the stimulus of an abnormally heavy coal movement, due to strike uncertainties, and will soon lose this gain. The electric power index has shot up to a new high of recovery at a level approximating the average of 1929. It need hardly be said that this is no longer a reliable business indicator, its high level contrasting so strikingly with continuing business depression. The answer, of course, is that the hundreds of thousands of electric refrigerators sold in the past couple of years, together with expanded use of other domestic appliances, has done the trick.

Machine tool orders and other indications of activity in capital goods continue to reflect an underlying improvement creeping and cumulative in character. Whether this and a similarly modest advance in private residential building will prove sufficient to turn the tide of aggregate business activity in the near future remains to be seen and can hardly be taken for granted in the face of certain recession in automobiles, the backbone of the year's gains to date.

Commodity markets, both spot and futures, show a gradual extension of the sagging trend of recent weeks, reflecting for the present domestic causes, rather than any notable change in foreign exchange relationships. Recession in farm prices is attributed to larger crops and should extend at least a slightly helpful hand to the consuming public without harming the farmer. Recession in other basic commodities and in some lines of finished goods reflects the passing of N R A controls and will ultimately prove to be in the interest of volume business, even though tending toward a temporarily unsettling effect.

Happening in Washington

By E. K. T.

Business outlook, before tax bomb, was rosy according to Government economists. They said: (1) inventories are light—no signs of runaway production, (2) but production index at 85 in May is encouraging—only mild seasonal slump, (3) building is gaining and durable goods industries picking up, (4) public psychology is much improved—confidence in rapid recovery gaining. The outstanding cloud in the sky, they said, was the failure of business credit to expand. "Nothing of great importance is achieved until credit is widely used."

President's demand for prompt action on his wealth distribution program, it is now admitted, is a menace to the expansion of credit—cold bath for business enterprise. May retard business recovery. Flight of capital is apprehended. Hope of an exceedingly brisk forward movement in the fall is dimmed. Ground swell of reconstruction will be strong enough to shake off all political assaults but can hardly go forward with the vim that was indicated.

Wide World Photo

Senator Pat Harrison
He Takes the Rap

The surprise of the present turn of events is not so much that the President sprung his soak-the-rich program at this time as that he demanded action at this session. Legislation was not contemplated until next session. Leaders in Congress were not consulted. Their chagrin is evident in public and their anger is lurid in private; particularly humiliating was the inferred White House order to tack "social justice" levies onto the excise tax renewal resolution which had already passed the House without a whisper of warning from the President.

After all allowance for the President's insistence that he was misunderstood this episode has left a festering wound in the leadership of Congress. At the best the incident leaves the President in the unenviable position of a bungler, who after hours of conference on policy left his advisors with the understanding that the momentous new tax program must be rushed through within five days as a rider on the nuisance tax renewal resolution. Senator Harrison valiantly took the responsibility and offered himself as the sacrificial goat.

Complex of motives is advanced to explain President's surprise action. (1) Resentment:—Peeve at business for not rising en masse to rescue N R A from the Supreme Court's clutches. From the President's point of view N R A was a charter for business self-government in the public interest, with business given a clutch on monopoly, control of prices, and a brake on production. Business appreciated neither its opportunity nor its duty. So, now, "bad" business is to get the reverse of N R A—it is to get a severe trimming of the purse and a decided restriction of opportunity and privilege. It wouldn't go along with the President, now it must go under a heavy step toward collectivism. (2) More judicious prolonged misery of the masses has rendered the country ripe for extreme phases of demagogy and economic ignorance—concessions must be made, and the sooner the better as a way of stopping excesses. Deferring action until next winter might be too late. (3) Expediency: Quick heroic action now and have it over will be better for business than having the threat of revolutionary legislation poised for six or eight months more. (4) Purely political expediency: President can not be re-elected if liberal and radical forces are divided to any great extent in 1936. They must be amalgamated promptly and taught that they can get much, if not enough, by going along with the President, and nothing if they rebel. The 15,600,000 votes that went for Hoover in 1932 are still there on the conservative side—plus some millions. A peeling off of only two or three million votes from the Roosevelt column would give the conservative candidate a plurality and if fortunately placed might result in a sweeping electoral college defeat for Roosevelt.

Campaign of 1936 is here: So the great olympiad battle begins now. It will be fought in the guise of greater power for the national government as against the weak and diffused powers of 48 states, but will be in reality the first great struggle in America between socialism or collectivism and individual liberty.

Relatively mild measure, after all, is the present form of the program for increased taxation of the income of corporations and of large fortunes. Even personal income of ten millions or more will have to stand a surtax of less than 30 per cent more than it pays now on that portion of the income in excess of $10,000,000. This part of the program is capable of defense as in accordance with the hoary taxation principle that taxes should be adjusted to the ability to pay. The proposed change in the taxation of corporation incomes is vicious because it increases the burden on the production of wealth, rather than on its possession. Economists here fear the inheritance tax most of all. Considering that it is added to heavy estate taxes and that the rates in the upper brackets are practically confiscatory, it is profoundly feared that the necrology and financial pages of the newspapers will have to be consolidated in the future, as every death of the possessor of an

estate above a million will tend to cause industrial dislocations.

Popular appeal is expected to be found in the new taxation measure along this line: Conservatives have severely criticized Administration's huge deficits, so let us see how they like taxation to reduce them.

Washington is mystified at the trifling shudder which the soak-the-rich bolt gave Wall Street. Explanations: Measure is relatively mild—so much so that extremists call it a fake—and not heavy enough to retard recovery and oppress prosperity. It's more of a cause for worry about the future than for present injury—and Wall Street is fed up on borrowing trouble; besides being in a hopeful mood. Action now will probably clear the legislative calendar of disturbing New Deal reform plans until after election and give business a political truce for about a year—until the nominating conventions in June of next year. In the interval the President will have a chance to make some reassuring gestures toward business, particularly small business, which is stroked the right way in the tax bill. Don't forget that it was small business which groused most over N R A.

Mitchell charges against Roper and Administration amount to nothing; just the vaporings of a political purist with no capacity for making allowance for the stratum of practical politics that runs all through Washington.

Home Owners Loan Corporation reports applications for distress mortgage relief under its enlarged lending power are much below expectations. Building of new residences is steadily gaining.

Subservience of Congress to the President despite the ever-growing private concern and opposition of members marks the climax of selfish politics. Members sold themselves into slavery when they voted the $4,000,000,000 work relief fund. The territorial distribution of the fund has not been made. Success of members in the primaries and in the final elections next year depend largely on their individual trophies in the way of Federal funds spent in their districts.

Degradation of the Works Program into a mere C W A revival makes political allocation easy and effective. Leaf picking and boon-doggling jobs can be provided almost anywhere at will. Greatest difficulty will be found in keeping such a money distribution going strong right up to election day. Consequently, direct relief may be allowed to eat into the relief treasury for some time under the excuse that projects are not ready. So-called direct relief even though it actually is about two-thirds of the work kind is costing only a quarter as much per capita as new form of work relief will require.

Washington Sees—

Long summer session of Congress.

Deliberate action on President's rush taxation proposals.

Presidential prestige tarnished by farcical "misunderstanding."

Work Relief degenerate into nothing but relief extravagance.

Lines of 1936 campaign forming along collectivism versus individualism.

Proposed "social justice" taxation relatively light.

President driven toward the left by political expediency.

Political importance of recovery not forgotten.

Credit forced into action.

Congress growing more restive as it continues its subjection to the President.

Beginning of painful process of paying off New Deal debts.

Economists defend spending for prosperity.

Distress home refinancing growing less.

Business resisting Congressional sniping.

Recovery, however, is not out of the White House thought. There are about 4,000,000 jobless employable persons who have not yet taken themselves and their families to the relief rolls. If a recession of business should drive them to relief there would be no great harvest of votes among them. Moreover, as the President has often admitted, the only adequate solution of unemployment is genuine employment. The nullifying influence of continued large-scale unemployment on vote gathering must be taken into consideration. Hoover was voted out because of the economic breakdown and Roosevelt will certainly lose much of his strength if it is still with us after his four years in the White House. Something must be done to stimulate industry.

The money way seems to be the only one. Hence the great interest of the Chief Executive in Title II of the Banking Bill; lending must be made painless and fearless. This measure will go through about as he wants it.

Refreshing as the vigorous and partly successful fight against the monstrosities of the utility bill has been, it leaves that measure as a menace of bureaucratic power and a precedent for still further encroachment upon the powers of the states and still greater invasion of individual enterprise.

With the Wagner Labor Bill and the social security measure virtually enacted, the Administration now counts on passage of the Food and Drug Bill, the evasively modified A A A amendments, the Shipping Subsidy Bill, and the Bankhead Land Tenancy Bill. The extension of the session deep into the summer will assist in putting them all over.

Rescue of the franc by the Treasury stabilization fund has aroused the wrath of the cheap money men. Tendency of the Administration is toward international stabilization, but little encouragement has resulted from "feeler" conversations with the British. The impression here is that England will drift as long as British domestic prices do not rise. Expectation is that any considerable revival of world trade will force British prices up and that thereupon Britain will be strong for an international agreement.

Prolonged session of Congress is indicated by the reaction from the President's plan of rushing his income and inheritance tax plan through. Normal procedure will now be followed, with deliberate hearings in the House ways and means committee. Business will have to face political incidence for an indefinite period, but it must always be kept in mind that the heat of the Washington summer may

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¶ *Natural Forces of Recovery Now Have Free Play*

¶ *Will Summer Slackness Be Followed by Autumn Rebound?*

Business Prospects for the Third Quarter

A Realistic Appraisal

By John D. C. Weldon

THE aggregate volume of business activity during the first half of this year has averaged higher than in any preceding period of recovery since March, 1933. It has rested upon a broader base. It has been accompanied by increasing evidences of natural economic recuperation. It differs from the two preceding New Deal boomlets in that speculative forward stocking of goods has played no important part in it and in the further fact that thus far recession from the spring peak has been much less severe than comparable relapses in 1933 and 1934.

All of which contributes to the prevailing feeling of optimism as we are about to enter the second half of the third year of recovery. The apparent consensus of opinion is that the summer should see a flattening out of seasonal recession at a relatively favorable level and that before the third quarter is ended our major advance should be resumed. Something of this order is apparently the hope now being reflected in the stock market.

One does not like to quarrel with optimism, especially when it appears to have considerable justification. Nevertheless, there are some doubts, uncertainties and qualifications that must be realistically examined; especially since the optimist can be as right as rain in his ultimate conclusion but wrong as to the time of its fruition. It is one thing to hold that the long-term business prospect is overwhelmingly favorable, as it most assuredly is; and quite another matter to assume that the near-term outlook is equally favorable.

Intangible Factors

To begin with, analysis will show that some of our optimism regarding the third quarter must rest upon intangibles, difficult of precise measurement. There is, for example, the factor of business confidence, which is definitely on the mend and which one must logically assume has been given a significant impetus by the legal limitations recently imposed upon the power of the Government to regulate industry. There is the thought that the expected adjournment of Congress in the next month or two will clear the air. There is the well-founded belief that credit inflation has "taken hold", although the cold figures on commercial bank loans suggest that this is an incipient or potential force rather more than a vital immediate stimulus.

On the other side of the picture there are some very tangible factors that must be taken into account. Looming large among these is the adjustment of operations and practices in many important lines made necessary by the termination of N R A. In the view of this publication, the abandonment or major modification of artificial controls and the return to a more healthy competition is decidedly in the interest of ultimate recovery, but the immediate, temporary effect can well be the reverse; and realization of this fact has already injected fresh uncertainty and caution into the short-term outlook.

It may be that code standards of hours and wages are going to be maintained indefinitely by all of the industries which have publicly stated their intention of so doing; and it may be that in so doing these industries can maintain prices. Yet buyers know for a certainty that prices are not going to go *up* as a result of termination of the N R A and they may be pardoned for a certain wonder whether they *may* not come down.

The Price Trend

The result is that we at present have a waiting game between buyers and sellers in more than one line. Goods imperatively needed are being and will be bought, but beyond such hand-to-mouth operations the inevitable tendency is to await a showdown or at least some more convincing evidence of the basic soundness of prevailing price levels. Only events can demonstrate how long a period of adjustment will be required, for there is no basis of statistical forecast. Certainly, however, it would not be surprising if, after two years of operations under the codes, business required the greater part of the third quarter to find a new orientation.

The only solace that can be found in such a period is that protracted hand-to-mouth buying by business builds up a setting out of which improvement can be both sudden and sharp when the turn for the better does come.

Putting aside N R A, we must answer the specific question: Where is third quarter improvement coming from?

To simplify the answer we can eliminate a great many factors which are important in the business scene, but which are secondary in their influence upon the fluctuations of all accepted business indexes.

We can leave out retail trade, whose fluctuations in physical volume are relatively small. We can leave out car loadings and electric power output, which for the most part must be considered as thermometers of business activity rather than contributors to it. Without any loss, for the purposes of this brief survey of the prospect, we can omit coal production, check payments, lumber production, cotton consumption and other lesser components.

The Big Gain

The reason for so proceeding is the obvious fact that in the recovery of the first half of this year the sharp revival in automobile production was by far the largest factor. If this and the related upturn in the steel industry were pulled out of any business index, you would have left a rather gloomy picture of depression.

Having played so large a part in lifting the aggregate of all business activity during the first and second quarters of the year, it obviously follows that improvement in the third quarter must either depend on further support from the motor and steel industries or on enlarged support from other basic and major industries, including construction, machinery and capital equipment of all kinds.

At this writing it appears that final figures on motor production for the first half of the year will show a gain of around 25 per cent over the first half of 1934. It may possibly be that the year-to-year rate of gain will be maintained in the third quarter, but the seasonal trend is definitely downward and will continue so. It is the physical volume of motor production, and not seasonal adjustment thereof in an index, that concerns us in forecasting the support to be provided for general business activity.

The conclusion is inescapable that the broad section of business activity dependent directly or indirectly on motor production will get substantially less support from it in the third quarter than in the first and second quarters. The possible introduction of a few new models of medium-priced cars will not change the picture. The big volume is in the three low-priced cars and there is scant prospect of a change in models here before next year.

Steel operation in the third quarter will make a favorable comparison with a year ago because the third quarter output of 1934 was abnormally small. There is no penalty to be paid this year for over-stocking or excessive forward buying. But the comparison which concerns us in estimating the physical volume of business activity to be expected over the next three months is that with the first and second quarters. This comparison in all probability will be unfavorable, so that here we have another major source of first half-year business volume which will offer curtailed support in the third quarter.

Significance of Construction

The farm equipment industry, improvement in which tended to swell steel output earlier this year, is likewise in seasonal decline. Construction, especially private residential building, continues to show a creeping improvement and the comparison with a year ago is impressive. It will remain so in all probability in the third quarter, but the present level is no more than 20 per cent of normal and even substantial percentage changes in it do not necessarily mean much in terms of general business stimulation. It is not on the cards that construction can revive fast enough to turn the scales during the third quarter and more than counter-balance the seasonal slackness in motors and steel.

The vast potential demand of the railroads for materials and equipment remains, of necessity, largely in the deferred category. There is scant prospect that we can look to it for any important stimulation over the next several months.

Machinery and miscellaneous capital equipment for industrial uses show a promising upward trend, but, like

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Sharing the Wealth

Capitalism, and Not the Writing of Laws, Will Supply "the More Abundant Life"

By Theodore M. Knappen

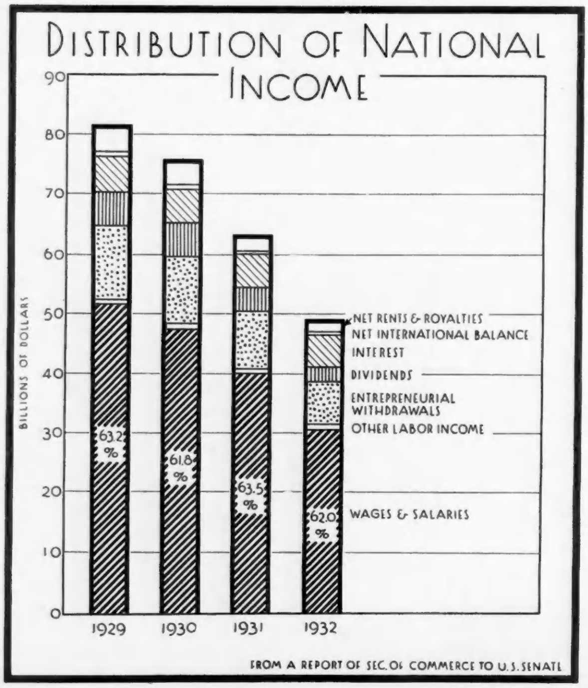
SINCE the incoming of the "New Deal" a favorite topic of discussion has been the concentration of wealth in the United States. The ardent advocates of the "New Deal" endeavor, of course, to show that the American people are reduced to economic slavery and that their situation gets worse and worse. We hear without protest such assertions as that 2 per cent of the people own 80 per cent of the wealth of the Nation, and without qualification that 200 corporations control half the industrial production.

Whether these assertions are even remotely true or not, they are not of great significance unless we know whether the tendency is toward greater or less diffusion of wealth and toward more or less economic well-being and independence. Then, too, the meaning of the word wealth must be taken into consideration, and we must distinguish between (1) current or income wealth and (2) the wealth of property.

Economic wealth may be defined "as an aggregate of scarce, transferable material goods." But goods which are not counted as economic wealth are in many cases indispensable and in all cases contribute to the joy of living. Air, sunshine, water and other things which ordinarily exist in such quantity that they are free to all are not counted as wealth. Neither do we count as wealth the good health, hygiene, sanitation, free education, roads, libraries, political liberty, and other factors which make life good to have—and that have come with and by capitalism. Intelligence is not wealth—it cannot be alienated. No intangible thing is wealth, however useful and delightful. The modern world has increasingly devoted public resources of all sorts to the betterment of conditions of living. The general status of a man of small means in these days is, in ordinary times, infinitely better than it was 50 years ago and yet his wealth may be less.

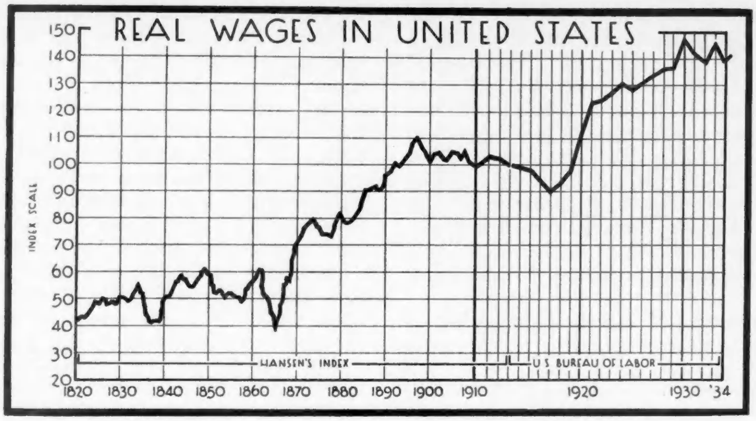
There is an important distinction to be made between income and accumulated wealth. Nowadays through the perfection of life insurance, it is possible for a person who enjoys a good income to live a full material life of comfort and even of luxury without being the actual owner of any considerable degree of material wealth; and large numbers of people direct their lives on this policy of spending the maximum possible amount of their income consistent with a degree of protection through life insurance against untoward events and of their families when death comes. The possession of concrete wealth is not so much of an objective in life for many people as it once was. In fact, a philosopher may take the view that abundant material possessions are nowadays more of a nuisance than a benefit. Nevertheless, the possession of material wealth is an economic goal of most people. To them it is a guarantee of independence. But wealth does not confer the power and influence under democratic institutions that it did in former times under monarchical and feudal systems.

In the light of income, there is no doubt that the standard of living has greatly improved in the past 60 or 70 years. For example, the per capita consumption of coffee has almost doubled in that period. The consumption of sugar has nearly trebled and that of tobacco has increased 50 per cent; even such a necessity as wheat has somewhat gained in per capital consumption. The American masses are far better clothed and housed and generally environed physically than they ever were.



Relative nominal wages almost doubled between 1860 and 1900. They nearly doubled again between 1900 and 1913, and more than doubled between 1913 and 1927. Prices were slightly lower in 1900 than in 1860. They gained 25 per cent by 1913 and by 1927 gained almost another 50 per cent.

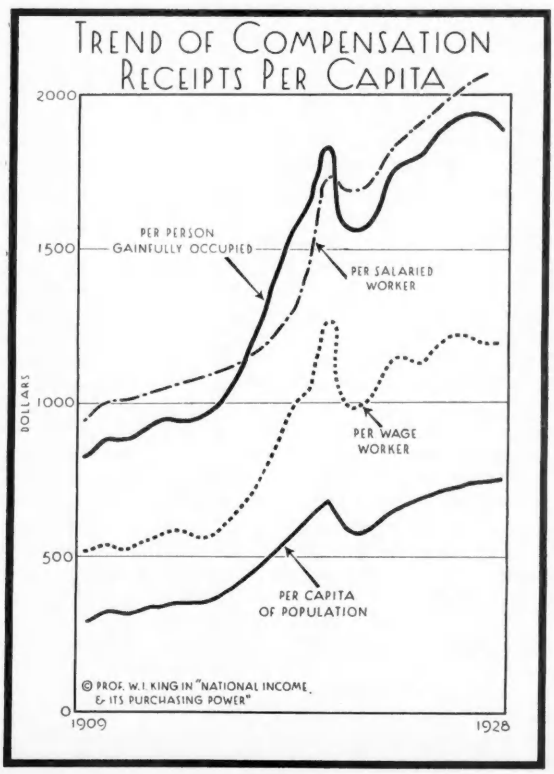
Going back to the middle of the past century we find that the average weekly pay of a weaver was from \$2.50 to \$4.50. The average yearly wage in manufactures in 1849 was \$243.11; in 1859, \$288.94. The working hours have been greatly shortened and the working environments greatly improved since the



advent of the industrial age in the United States. The 7,000 to 8,000 girls employed in the Lowell, Mass., textile mills in 1846 worked an average of 13½ hours daily. They began work at 5 o'clock in the morning, laid off for 30 minutes at 7 o'clock for breakfast, and sometimes had as much as 45 minutes for what was then universally called dinner. Even at that they were considered to have a very pleasant working life compared with that of the working women in England at that time.

As late as 1860 and for many years afterwards the average working day for industrial employees was 11 hours. It is now down to about 8 hours and even in the activity of the 20's the average was not greater than 9 hours a day. Compensation insurance for employees was virtually unknown before the present century. In Massachusetts in 1825 even children worked an average of 12 to 13 hours a day. Children under 12 earned 50 cents to $1.75 and those 12 to 16 years old averaged about $2.12 a week. In 1851 there was a strike of carpenters in New York City for an average wage of $10.50 a week of 120 hours. Present union wages are around $50 a week of 40 hours.

"The growth in per capita income since 1921," says King, "must be regarded as a remarkable phenomenon. The indications are that in terms of immediate ability to buy goods for consumption purposes the average American was approximately one-third better off in 1927 than in 1921." This statement, of course, would not apply to 1935 as compared with 1921, but we are not justified in considering the effects of the depression as more than an episode in the progress of the Nation.



Most people are more interested in their income than in their property holdings. If persons were assured of a dependable annual income of suitable proportions they would care little what their property worth might be. A glance at the statistics of income disposes of the assertion that 2 per cent of the people of the United States own 80 per cent of the wealth, if made in the sense of income.

Including the earnings of individual business proprietors (entrepreneurs) professional men and all others who work for individual profits or fees it appears that in 1929 personal effort was rewarded with about 87 per cent of the national income paid out. Much the same proportion maintained for the first three decades of this century. The other 13 per cent went to ownership as dividends and interest.

In other words, capital got 13 per cent and labor in the broad sense of the word 87 per cent of the income.

But labor is not entirely cut off from capital income. There are fifteen or twenty million owners of stocks, bonds and mortgages and rented property.

We know that in 1929 as much as 29 per cent of the dividends paid out went to persons with incomes of less than $5,000 annually.

We know that the holdings of bonds, the ownership of the mutual life insurance companies, stock in building and loan associations, shares in co-operative groups, etc., are widely distributed among the lower income classes.

We also know that about 50 per cent of American families own their own homes and enjoy the equivalent of rent income, and that a large proportion of these homes are owned by people in the lower labor, salary and business income categories.

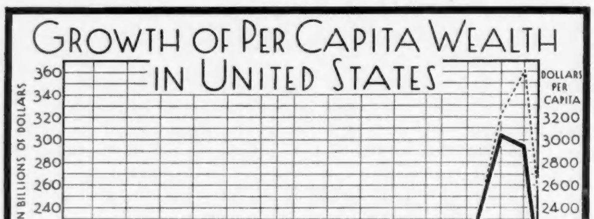
The available statistics indicate that in good times most of the people gainfully occupied enjoy some income in addition to that yielded by their regular occupation. While, of course, the fortunate persons having net incomes in excess of $5,000 enjoy the larger part of dividends and interest that accrue to individuals, it is gratifying to note that the number of such persons steadily increases in the United States over the longer periods.

According to estimates made by the Brookings Institution (*America's Capacity to Consume*) there were eight times as many family incomes of $5,000 and more in 1929 as there were in 1910. Allowing for the advance of prices in that period there was a trebling of families in this group.

Lest we may be open to the accusation of painting too rosy a picture, attention should be called to the fact that in 1929 only a little over two million families, or 8 per cent, had incomes in excess of $5,000, and only 600,000

of them enjoyed incomes of more than $10,000. At the other end of the scale 6,000,000 families, or more than 11 per cent, had incomes of less than $1,000. Had the total family income of $77,000,000,000 been equally divided in 1929 the average income of each family would have been $2,800. Actually, there were about 4,000,000 families in 1929 who were in touch with this average, and about 3,500,000 families who had larger incomes. It is safe to say, disappointing as these figures are, that outside of New Zealand, Australia, and Canada, there is no such comparable diffusion of free income elsewhere in the world—and never has been in the era of civilization and massed population.

That an equal distribution of income should yield so small an average sum for the support of four or five people—and that the total national income would yield little more than $700 to each person if it were equally distributed reveals the foolishnes of much of the current talk in advocacy of the distribution of existing wealth. It makes a joke of the talk of an economy of plenty. It reveals that great as our progress has been in making and accumulating wealth, the big economic problem before the world is still the production of sufficient wealth rather than its equitable distribution. (The clothing capacity of the U. S., for example, is not great enough to give everybody a suit of clothes annually.) If we put the annual accrual of interest and dividends (unearned income, if you will) to individuals in good times at $12,000,000,000 and undertake to divide it among the total population it would add only $80 a year to each personal income. Any important increase of individual income by redistribution can be realized only by taking away from the middle salary, wage, farmer, professional and business incomes. Arbitrary redistribution of both capital and occupational income would not solve the problem of adequate income for all—but would break down the machinery by which incomes are now made.



When we turn from income to property we find that wealth is less widely distributed, although the statistics on this subject are not very dependable. Adam Seybert estimated the total national wealth of the United States in 1791 at only $750,000,000—in that "golden age" before capitalism, then, the per capita wealth was less than $200. In 1860, according to the Census, the national wealth of the 31,500,000 people was only $16,160,000,000 or a little over $500 apiece. The National Industrial Conference Board calculated the national wealth of 1923 as $400,000,000,000 and the per capita share at $3,048. Although that was the record year for total wealth, 1925 has the record for per capita proportion with $3,155. In 1929, the top year for national income, the total wealth had fallen to $362,000,000,000. At the bottom of the depression in 1932 the national total was down to about $247,000,000,000 and the 125,000,000 people had to see their putative individual share of wealth fall to $1,981, and their income to $300. Compare even that record low with $350 of property and $50 of annual income for the blessed beneficiaries of the economy of Soviet Russia.

Taking the 1922 Census and having the benefit of a study of national wealth and income in 1922 by the Federal Trade Commission, Wilford I. King made a computation of the *private property* of the nation. Dr. King placed the property owned by about 41,000,000 individuals at $281,000,000,000, or close to $7,000 apiece. No corresponding study has been made since, and nothing comparable preceded it. It will be observed that about $40,000,000,000 of wealth was outside of individual or corporate ownership, being public wealth.

According to Dr. King's estimates some 8,900,000 persons individually worth $5,000 or more possessed $214,000,000,000 of wealth, leaving about $68,000,000,000 to the 32,000,000 property owners having less than $5,000. About half the property owners rated more than $2,200 each, and 6,250,000 had more than their exact distributional share. It will be seen that the distribution of property is not so equitable as the distribution of income. Whereas in 1921, 22 per cent of the property owners possessed 76 per cent of the wealth, 22 per cent of the nation's families (in 1929) had 60 per cent of the income. But look at these comforting facts: About 40 per cent of the urban families owned their own homes, despite modern mass dwelling; 65% of farms and farm homes belong to their occupants; gross farm wealth was $62,000,000,000 and mortgages only $9,700,000,000—40 per cent of farms having no mortgages. The owned dwellings free of incumbrance numbered 9,000,000 in 1930 out of 30,000,000. Think of that—for security and independence! As for luxury, consider the 20,000,000 pleasure autos owned in 1935 by individuals. As for corporation control, the total ownership through stocks and bonds was $68,000,000,000 out of $281,000,000,000 total. The public debts represented $25,000,000,000 of wealth. All other individual property came to $188,000,000,000.

As the income returns show savings of families having less than $5,000 income are comparatively small, the Nation must depend for its expansion and replacement of capital upon the savings of those with larger incomes—except as corporations make such provision. But in the end that means the same thing. If the present national income were evenly distributed, the savings would be utterly inadequate for maintenance, to say nothing of growth. The larger incomes, therefore, are the mainstay of prosperity. Indeed, they constitute the main foundation for the hope that some day everybody will have abundance.

Of course, the communists and socialists will say that under their plans the Government would provide capital or production goods by directing that a certain portion of labor should be concentrated on them. When it comes to that we come back to slavery. Only two economic systems have succeeded in the civilized world since the beginning—slavery and capitalism. Socialism, Communism, Fascism and all the other varieties of economic-psychological mania of a sick world are slavery. Capitalism is the only economic

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Men Who Can Find the Right Answer

"The right kind of thinking plus the right kind of practical skill is the foundation of progress in engineering, in industry, in business and in every human endeavor."

Underwood & Underwood Photo.

WALTER P. CHRYSLER

Chairman of the Board, Chrysler Corporation

THE world today needs more than ever men of trained intelligence—men who can use their minds scientifically—men who can look inside and outside and all around a problem, getting down to its fundamentals and finding a practical, workable answer. I am not suggesting that the world needs more so-called specialists, but I am suggesting that the world needs well-rounded men—men who are scientists in the true sense—men who know something about everything and everything about something—men of inquiring mind who are curious as to the why and wherefore of things and equipped with the proper scientific training to find out.

It seems to me that the institutes, colleges and universities of America, in helping to develop the scientific attitude of mind in their students are laying a sound foundation for this country's growth.

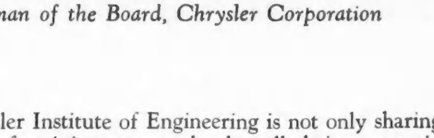
It is to help provide men of this caliber I have mentioned that the Chrysler Institute of Engineering was established three years ago—the first time in the history of education in the United States that an industrial corporation has been granted a State Charter to conduct recognized school and college courses and grant degrees upon their completion. This Institute provides courses of study in general high school and college preparatory work followed by special training in chemical, electrical, industrial and mechanical engineering which in turn lead to degrees of Bachelor or Master of Sciences in these fields.

The Institute's charter, granted to it by the State of Michigan, confers upon us not only a great privilege but a great responsibility and it is the aim of the engineering officers in charge of the school to maintain the same high standards as have characterized the progressive and advanced engineering which has contributed to automotive development.

The Chrysler Institute of Engineering is not only sharing in the work of training men to develop all their powers in automotive engineering but it is working also to create a better understanding between the practical workman and the college trained man by providing a meeting place where each can share the technical knowledge of the one and the practical experience of the other.

It is this happy combination of scientific training and practical experience which is responsible in no small degree for the many great practical improvements in our automobiles—improvements such as floating power, airflow design, balance of weight, etc.—improvements which the motorists of America recognize as fundamental contributions to greater safety and to greater riding and driving satisfaction.

The right kind of thinking plus the right kind of practical skill is the foundation of progress in engineering, in industry, in business and in every human endeavor. It is the kind of education that enables a man to unfold his powers to the full. For education is a tool, a tool to be used in the great factory of life. Education should not stop but should go on as a continuing process.



One of a Series of Guest Editorials by Leading Men of Industry

Significant Foreign Events

By George Berkalew

Foreign Representative of The Magazine of Wall Street

England—Business with Profits:

Whereas according to certain British economists, the boom has just begun in America, England has entered upon her second year of internal business prosperity. From the standpoint of profits this is considered the better half of the trade cycle. During the recovery which followed on the abandonment of the gold standard, England was favored by a low level of raw material prices, coupled with a relatively stable trend in production costs. Although the pound sterling has depreciated in terms of gold by nearly 40 per cent, the statistical gain in the index of wholesale prices has reached only 13 per cent. With this ample margin between cost and prices profits rose with the increase in industrial production.

Contributing directly to this marked improvement in business activity may be enumerated the factors of high tariff protection, the continuance of cheap money, the gradual renewal of confidence in the so-called "investment" industries, notably the building trades, and a larger share, however, diminutive, of world trade obtained by British exporters.

The sensational recovery in profit returns which has been shown by the British iron and steel companies reflects the general increase of 20 per cent in the total economic activity of the country since the low point of 1932. British authorities repeatedly emphasize the belief that the tardiness of American recovery may be explained primarily by the governmental attack on profit margins. If business men fear that the Government is hostile to profit-making enterprise, both working capital and personal savings are hoarded, thereby deflating bank money as fast as it is inflated. This has been the prevailing criticism in England of our economic program up until the recent quashing of the N R A, interpreted abroad as the turning point toward the restoration of business confidence.

On the other hand, it is the considered opinion of many authorities in England that the continuance of the present boom here depends solely on the absence of a fixed parity between sterling and gold. These authorities advocate the necessity of cheap and abundant money for domestic business without interruption over a period of years. Recent indications imply that the Bank of England is not totally in harmony with these views. Awaiting the institution of a more stable government in France, British and American financial circles have seen fit to support the franc, but this support may conceivably be withdrawn for the purposes of political expediency, thus giving added force to the waves of sentiment for international monetary stabilization.

Palestine—An Ill Wind from Germany

Great Britain, as previously stated, remains faithful to the principle, now virtually démodé in state capitalistic countries, that profits are the life blood of business enterprise. Hence, she has wisely subdued all racial prejudices or persecution. It is a noteworthy fact that the commercial and financial acumen of the Jewish people has not been stifled, but rather encouraged as a valuable asset to British economy. German chemists, who formally were unobtainable because of prohibitive salaries, are now employed at the modest sum of four hundred pounds a year in government research laboratories. In spite of rigid regulations in force against the employment of foreigners, the Government has also sanctioned the admission of some five thousand destitute Jewish immigrants from Hitler Germany. Although the fact is not generally known, these have been given not only hospitality, but are being trained under an efficient relief commission in suitable trades and professions to take up the so-called tradition of "the white man's burden".

Specifically England has a watchful eye on the development of Palestine and, with her experience in colonization, recognizes the potentialities for profitable overseas trade with this new center of Jewish enterprise. According to the latest statement of the Ottoman Bank, last year was one of prosperity for all branches of trade in Palestine. This prosperity has been due to the continued influx of capital and of Jewish immigrants. The latest statistics available show that imports have increased by about four million Palestine pounds and exports, by about a million pounds, as compared with the preceding year. The apparent adverse trade balance was accentuated in 1934 by the greatly increased demand for foodstuffs and building materials. This difference is covered by subscriptions from abroad, capital expenditure of immigrants and receipts from tourist traffic.

True to form, British banks have participated largely in the commercial activity of the country. Financial conditions are sound, so sound, in fact, that by perhaps a unique budgetary management in these days of overwhelming deficits, the local government succeeded in adding to its surplus in hand during the last fiscal year.

* * *

Belgium—The Newer Deal:

The new government program in Belgium inaugurated during April, is still subject to criticism as an imitation of the Roosevelt experiment. While Van Zeeland and his Belgian "brain trust" admit certain features of similarity, the "newer deal" lacks many of the more radical elements of

the original. Profiting by our errors, No. 1 Brain Truster, Charles Roger, Harvard trained, champions banking reform but denounces price fixing—codes—extravagant public works programs.

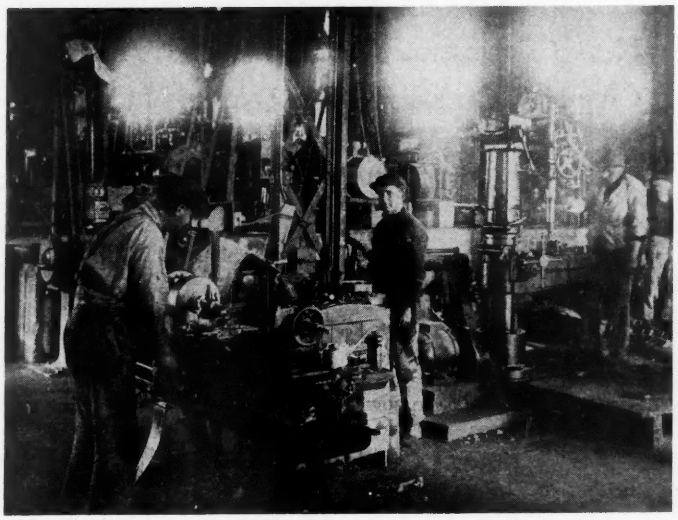
Though it would be premature or presumptuous to attempt an accurate appraisal of the results of the many phases already in operation, one cannot fail to perceive many benefits which have accrued to Belgian economy during the month. Industrial activity has been given a new impetus and though some predictions are that the improvement in the whole economic fabric is only temporary, the manifestations of a restored confidence in most branches of commerce and industry, signifies some degree of permanency.

The great orgy of consumer purchasing and investment in industrial stocks was not wholly a flight from the franc or to cover purchases against a probable increase in prices, but in a measure reflected a renewed confidence in the future for the earning power of individuals and industry.

Belgium ranks fourth in the total volume of European trade with the United States. While the latest available statistics on Belgium foreign trade show an adverse trade balance and a decline in exports as compared to previous months, information based on port clearances and forward orders indicate that a substantial increase in exports should be forthcoming. Hope is expressed that when the recent commercial treaty with the United States becomes fully operative, a further trade advance will be witnessed.

Lured by the profit to be realized and reassured by the vigorous and stable aspects of the new government program, currency and gold have been repatriated and taken out of hoarding to the extent of more than five billion francs. This, together with the influx of capital from the "gold bloc" countries, has strengthened appreciably the position of the banks as well as government finance.

Attracted by the cheaper currency and the international exposition which opened in Brussels in April, tourist expenditures appreciably contributed to the invisible exports. In the maze of plaster pavilions, dismally deserted during the last weeks of dripping weather, the participation of the United States is conspicuous by its absence. Except for the questionable value of institutional advertising, the exposition is proving of small worth, except to line the pockets of its promoters.



Wide World Photo

Scene in One of Palestine's Industries

Still, with the many features of the Government program destined to strengthen the economic position of the country, but yet to be put into effect, one may at least regard the country's immediate future with a considerable degree of optimism, providing the efforts of the Government to prevent an unwarranted price increase are successful and if budgetary expenditures can be kept well in hand. In fact, the whole Belgian New Deal has been precisely calculated on the eventual devaluation of the remaining "gold bloc" currencies and on the hope that the German economic situation will not suffer complete collapse before the new Government's innovations have been given a fair trial.

* * *

Switzerland—Lull Before the Storm:

Since the French Cabinet crisis and the resultant temporary pause in foreign exchange activity, speculative raids on the Swiss franc have subsided. The situation may be interpreted as the lull before the storm, since in September a new strain on the banking situation of Switzerland will take the form of seasonal demands for essential raw materials, particularly cotton. Also a large proportion, and by far the most profitable from a revenue standpoint, of the Swiss population, comprise foreign residents. For this reason, renewed and perhaps more effective devaluation demands are anticipated in the autumn.

Meanwhile, the American commercial treaty with Switzerland, after a succession of obtuse obstructions on the part of the Peek coterie, is finally ready for Presidential approval. While the special treaty powers allocated to Mr. Roosevelt have heretofore in some instances impeded the expedient conclusion of foreign commercial accords, the far-sighted policy of Secretary of State Hull is now winning deserved recognition in Cabinet circles.

Our foreign trade with Switzerland, which in normal times amounted to twenty-five million dollars annually, has fallen during the depression years to between seven and nine million. Although the treaty is comprehensive in scope, covering practically all groups of items in the tariff schedule, the principal articles under negotiation are for the United States—automobiles, accessories, radios, household equipment, in exchange for favorable customs treatment on Swiss cheese, watches and specific types of machinery. Prior to 1929 the market in Switzerland for American automobiles scoffed at foreign competition, but since then government restrictions have reduced this business to 13 per cent of its former volume. The substantial increase in quota allowances, as provided for by the treaty, promises not only a profitable expansion in automobile and radio sales, but a corresponding revival in demand for allied articles and other popular products of American manufacture.

* * *

The March of Japan

The latest news from the Far East is decidedly disturbing. The Japanese army has now lopped off another chunk of China too closely adjacent for comfort to the key cities of Tientsen and Peking. With the Mikado's troops at the gates of China proper the Nanking government,

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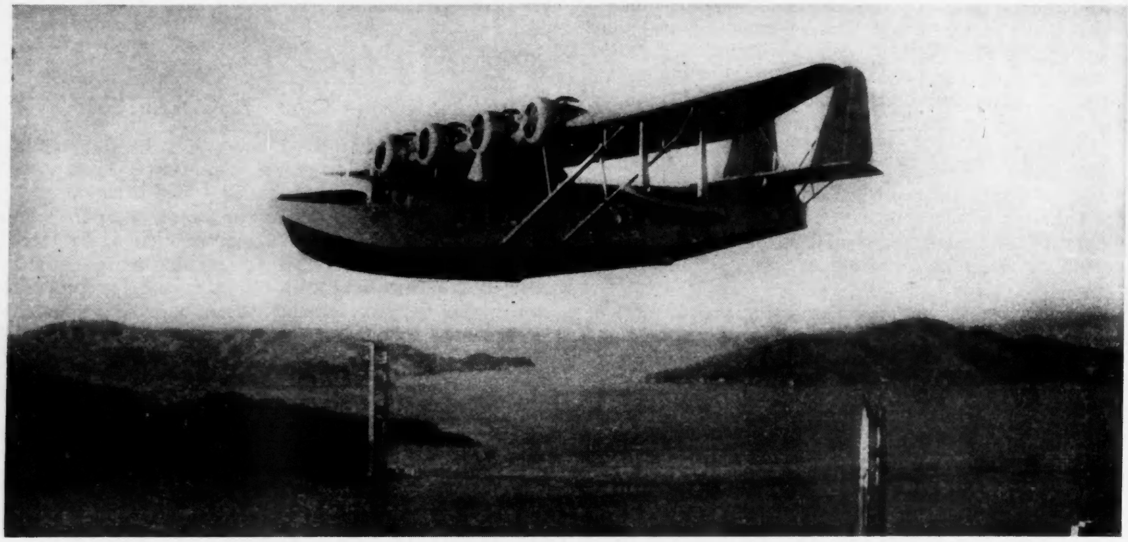


Wide World Photo

Clipper Ship Over San Francisco Harbor Before Making Hop to Honolulu

Aircraft Opportunity at Hand

New Circumstances at Home and Abroad Give New Outlook to This Dynamic Industry

By Howard Mingos

FROM the viewpoint of the investor, a viewpoint which will become increasingly fashionable with the gradual exhaustion of the political nostrums afflicting the economic life of the United States these many moons, the aircraft industry begins to show considerable promise for the long pull. Aviation is just about through having its ups and downs, with the accent on the downs, and from now on the going should be largely up—for the following reasons:

Expanding Markets

The commercial airplane market reached low ebb several months ago, and since that time has been slowly climbing. The export market for our aeronautical products reached an all time high in 1934, double that of 1933, and this year promises to better the record. The air forces of the United States need aircraft as they have not needed them since the World War, and not even the most desperate activities of the foreign propagandists, who have been discouraging this development, can prevent the Government supplying that need which now is officially recognized as urgent.

To take care of all this business there exists an industry not too large to prevent its benefiting throughout by any substantial increase in orders, an industry without its counterpart anywhere on earth in technical excellence, experienced management and general desirability of its products. In every respect, it holds world leadership.

This industry is 18 years old. It is no longer young, no longer an infant industry; and no longer is it experimental. Some 25 companies building aircraft, at least 7 producing aircraft engines and upward of 100 manufacturers of accessories, instruments and highly specialized fabricated materials are now adequately prepared to produce on order and according to specifications. No need here for mushroom growth to run wild and dissipate potential profits; no need for extraordinary investments in enlarged plant capacity; and very little need, if any, for additional capital with which to finance new business. There may be some reorganization of the capital structure, but relatively little, taking the industry as a whole.

Ready Now for Sound Growth

The vast majority of companies today are in the hands of practical men eminently fitted for their jobs. This will please the average shareholder who can look back to the boom days and recall putting his money into companies which were managed by brilliant aviation experts lacking business training because they were too young to have had any experience outside the infant aviation industry; or companies which were managed by brilliant business men lacking aviation training because they were too old to have had any experience in aviation. The years have

wrought a great change; they had to, if these units were to survive the depression.

Only those companies carrying on their payrolls first class inventive and engineering talent and considerable business acumen could have survived. Thus, the industry is in a strong condition to take advantage of all the business that appears to be coming its way. Let us analyze it in greater detail.

Scheduled air transport operations, involving an expenditure of from fifty to a hundred and fifty thousand dollars for each multi-motored machine, are gradually becoming a recognized form of transportation. Since the air lines received such a mauling from the politicians in Washington, culminating in the cancellation of mail contracts, temporary legislation and a generally chaotic situation which remains even today and will probably be just as chaotic a year from today, the management has been energetically building up passenger and express traffic and developing it in a manner to eventually offset any direct losses sustained through poor mail contracts and political reprisals. At this writing the passenger and express traffic is growing steadily. The companies are giving better service. They are acquiring new equipment whenever necessary; and they are sure of catching more than their share of business with better economic conditions.

One might not like to predict big dividends for air line stockholders in the near future—they might not hold quite as much promise as the manufacturers of aircraft and aeronautical equipment, but it is a safe bet that from now on the air lines will not show losses, at least those lines which have a right to exist by virtue of their routes, physical structure and sincerity of management. Those lines organized to create a nuisance value and sell out to older companies should not be considered. Let the investor beware!

Will Air Mail Muddle Be Clarified?

For the next fiscal year, beginning July 1, air mail appropriations will be slightly higher than those for the present year. Legislation provides $10,700,000 for domestic air mail. A measure in Congress would authorize the Interstate Commerce Commission to fix rates paid to the contract mail lines. If it passes, it will result in higher rates to several companies which now claim to be flying the mail at a loss or at least without profits. On the other hand, the Post Office Department desires to add 4,000 miles to the 29,000 miles of routes in operation; and this would increase the flying from forty million to about forty-five million miles with mail. If appropriations remain approximately the same and the lines have to add 12 per cent to their flying mileage for approximately the same money, then there can be no increase in revenues. But one day the new generation will be old enough to run for Congress. It will be airminded, and it will give air transport the encouragement it deserves. It will probably realize that aviation can be used constructively to advance political fortunes, instead of destructively, as at present. England already has seen the light, and is taking steps to put all first class mail aboard planes where it can be flown faster than when distributed by surface transport behind the times.

Meanwhile the air lines must continue to buy equipment from the manufacturers, which helps the latter to keep their plants open and continue technical development. With widespread improvement in general economic conditions a large number of short haul feeder transport lines will materialize. Hundreds of such projects are in the formative stage today. Eventually they will become important buyers and consumers of equipment. The marine air terminals movement started by the Aeronautical Chamber of Commerce of America to encourage the development of over-water flying bases in the heart of waterfront communities promises soon to provide a relatively new market for aircraft. Fewer than 2 per cent of the 9,000 planes in use in the United States today are over-water craft, but it is estimated that between two and three million dollars a year will be spent for such machines after the marine air terminals have been provided by waterfront towns.

Fear Lends Wings to Europe

The export market is better thus far this year than even in 1934. In 1934 our sales abroad, including planes, engines and accessories, aggregated about $18,000,000; and this was more than the exports of all Europe combined. It was double our exports for 1933. During the first quarter this year, the exports totaled $4,236,557 against $2,927,612 for the first quarter last year.

This trade has met with numerous obstacles both at home and abroad. Plagued by an acute desire to capture the markets in the non-industrial nations of the earth, in order to maintain their own aircraft plants at a higher rate of production, England, France, Italy and Germany made tempting offers to those nations buying from the United States. The most advantageous credit terms were allowed, invariably at approximately cost prices. When the sheer excellence of American aviation products hurdled that obstacle, all Europe commenced talking about the impropriety of selling aircraft abroad because it might encourage those buyers to go to war.

The Government of the United States fell for it. An embargo was placed on export of military and semi-military aircraft into at least two South American countries. Only recently one of those governments wanted to buy 18 American planes of a certain type. When this sale was rejected because of the embargo, an Englishman immediately stepped in and got the order for 18 English planes. There is some evidence that the American Government has at last become wise to this old European custom which has been recurrent since the World War, and the possibility is that from now on there shall be less interference with this branch of our foreign trade. That will benefit the shareholders because foreign orders help maintain the plants in continuous operation, preventing lay-offs and too much turnover of the skilled labor required in this highly specialized industry.

A vitally important reason for maintaining our foreign aviation trade and getting as much more of

(*Please turn to page* 322)

Stocks in Companies Which Should Benefit from Aviation's Improved Outlook

	Earnings Per Share 1934	Earnings Per Share 1933	Recent Quotation	1935 High	1935 Low
Bendix Aviation..........	$0.91	$0.59	14	17½	11⅞
Boeing Airplane..........	d0.43(b)	N F	7	10	6⅛
Douglas Aircraft..........	0.08	0.10	26	27¾	17½
Ex-Cell-O Aircraft & Tool.	0.37	d0.17	8	9⅛	6
Sperry Corp..............	0.96	0.23(a)	10	10⅝	7¼
United Aircraft...........	d0.01(b)	N F	13	15⅛	9⅞
Curtiss Wright "A".......	0.31	0.12	7	10⅛	6¼

d—Deficit. (a) 10 mos. to Dec. 31. (b) 4 mos. to Dec. 31. N F Not Available.

What Industries for Investment?

Which Type of Security, Which Company, for Greatest Income, Safety and Price Appreciation?

By George L. Merton

FOR the past year or more, there has been a steady and persistent decline in investment yields, with the result that investment demand has turned gradually from gilt-edged bonds to lesser bonds and preferred stocks. In the present setting there is every reason to look for a continuation of this "spill over" process as confidence grows and more and more funds seek employment in securities. Viewed as reflecting increasing confidence and faith in the permanence of recovery forces, this situation is of particular significance. Of equal importance to the individual investor, however, is the manner in which it may be adapted to the best advantage and in conformance with his individual requirements, both in terms of income and price appreciation.

Three Groups

In the months ahead, developments will undoubtedly arise to change for some industries what now appear to be favorable prospects and to change for others what now appears to be an unfavorable outlook. Some companies which were able to maintain relatively profitable operations throughout the depression and have made favorable headway during the past two years may now be approaching a period of static operations. Among this group may be found not a few of the current investment favorites. Another group of companies has experienced a measure of recovery, with profits supplanting the losses of the depression years. Investment opportunities in this group are still plentiful. In the third group are those companies where recovery remains more or less a promise, rather than an actuality. And it is an anamoly of the present phase of recovery, that among the companies in this latter group are to be found many of our leading industrial corporations, railroads and public utilities.

From this it may be reasoned that the procedure best calculated to enable the investor to rotate his funds in such a manner as to obtain the maximum benefits from continued business recovery would be to *reduce* his commitments in the first group and add to his holdings in the second and third groups. This would apply not only to common stocks, but bonds and preferred stocks, as well.

To the investor confronted with the difficulty of equalizing the income return on called bonds, there is offered a wide choice of second and medium grade bonds and preferred stocks. Among these lower rated issues are many where undoubtedly the degree of investment risk is more apparent than real. Given the benefit of anything in the nature of business improvement, the position of these issues would be strengthened to a point which would entitle them to a more conservative appraisal, both in terms of their investment position and quoted values.

Income-minded investors are also offered a choice of common stocks yielding at least 5 per cent. True most of these are among the currently less popular equities marketwise, but the fact remains that they are currently paying and earning a reasonable dividend. Contingent upon a broadening out of the recovery trend, greater ultimate price appreciation is promised by this group than is probably true of many of the Blue Chip issues, at prevailing high quotations.

To the patient investor, with an eye to the future, and to whom current return is of minor concern, a considered selection of common stocks of those companies representative of industries which have as yet experienced a scant minimum of recovery offers generous rewards. Of these companies, there also are a number which have preferred stocks carrying accumulated dividends, which in a period of improved earnings could be rapidly liquidated.

Naturally, and in any case, the investment problem arising from the foregoing situation and the opportunities presented by it, is concerned not only with the choice of those industries most likely to be favored in the months ahead, but with the representative companies and specific securities which appear to best advantage in these industries. The following paragraphs discuss the outlook for a group of important industries, where the promise of ultimate recovery is substantial and sufficiently convincing to invite consideration of the selected securities in each field.

In compiling the various investment suggestions in each industrial group, care has been taken to limit the selection to the most promising mediums. It will be noted that in some instances all three types of issues have been recommended—bonds, preferred stocks and common stocks—while in others there appear only bonds or preferred stocks. It is left to the individual to choose those issues best suited to his own requirements, as to income, and in accordance with his ability to assume investment risks.

Heavy Goods Industries

Of those industries which have lagged behind in recovery during the past two years, there is probably no group where this tendency has been more conspicuous than the so-called heavy industries. Nor is there any group for which it is possible to make out a stronger case for their potentialities. The shortage of capital goods resulting from deferred purchasing while wear and obsolescence have

continued for five years has been estimated as anywhere from $20,000,000,000 to $50,000,000,000. Today with confidence returning, this huge potential demand is gradually becoming effective.

Thus we have a situation which should appeal strongly to the foresighted investor. Even if more vigorous recovery is deferred for some further time, necessituous demand alone must inevitably make itself felt in the heavy industries and provide sufficient activity to preclude a serious setback at this time, and over the longer term investment results should amply repay whatever patience is required.

Once the replacement demand for obsolete, depreciated and worn out machinery is unfrozen, manufacturers of machinery, electrical equipment and machine tools may be literally deluged with new orders. The Machinery and Allied Products Institute has made a comprehensive survey of the deferred demand for plant equipment and machinery, from which it has calculated that, with a sound governmental policy and restored confidence, the impressive sum of $18,754,632,000 would be spent for electrical machinery, turbines, engines, tractors, foundry and machine shop products, machine tools, agricultural equipment and miscellaneous machinery.

In the following list of representative machinery and machine tool companies, common stocks predominate and the speculative investor is offered the widest choice. All of the selected issues are capital obligations of companies well established in the industry and currently showing definite progress in the direction of recovery.

Bonds for Income

	Recent Price	Current Yield %
Chicago Pneumatic Tool 5½% Debs, 1942	100	5.5

Speculative Preferred Stocks

	Recent Price	Accum. Divs.
Minn-Moline Pwr. Impl. (6½)	$55	$25.50
National Supply (7)	70	26.25

Common Stocks for Price Appreciation

	Recent Price	Dividend	Current Yield %
Allis-Chalmers	22	None	...
Amer. Mach. & Fdry	23	0.80	3.5
Doehler Die Casting	17	None	...
Fairbanks, Morse	21	None	...
Food Machinery	40	1.00	2.5
Mesta Machine	30	1.50	...
National Acme	6	None	...
Niles-Bement-Pond	23	None	...

The Electrical World, in a similar survey of the utility industry, concluded that if only 10 per cent of the actual electrical needs of American homes was to be filled, $16,000,000,000 of new business would be created. Sales of electrical goods and equipment would amount to $3,763,000,000; electrical manufacturers and distributors would create a business volume of $6,428,000,000; electrical utilities would spend more than $3,000,000,000 on plants and various supply industries such as steel, machine tools, etc., would benefit to the extent of $3,300,000,000.

No candidates among bonds or preferred stocks is offered by the electrical equipment group. Any revival in the industry, however, will inevitably redound to the benefit of the three companies whose shares are listed below.

	Recent Quotation	Dividend	Current Yield %
Cutler-Hammer	21	None	...
General Electric	26	0.60	2.3
Westinghouse Elec	51	None	...

It requires no vivid imagination to visualize the accumulated demand for railroad supplies, equipment and rolling stock, which awaits only a fair improvement in the movement of traffic and relief from mounting expenses. For more than five years railroads have been heavily paring their maintenance of property and equipment. Repairs and replacements to roadbeds, ties, terminal facilities and rolling stock have been skimped to the bone by many roads. Despite the rapid strides made in the development of new equipment, capable of producing a genuine savings in operating costs, the actual investment by railroads in such equipment has been practically negligible. There is, however, a limit to what may be accomplished by withholding maintenance and equipment expenditures and many roads will shortly be compelled to purchase new equipment and rolling stock. In fact there have recently been heartening indications of a revival which may possibly broaden to sizable proportions. Inquiries involving some $40,000,000 of equipment have been reported—only a fraction, however, of what is actually required.

All of the following companies are prominently identified with the manufacture of railway equipment and the list has been diversified to include all branches of the industry.

Speculative Preferred Stocks

	Recent Price	Dividend	Accum. Divs.
American Car & Fdry. (7%)	38	None	None
American Steel Fdries. (7%)	93	$2.00	$12.50

Common Stocks for Income and Price Appreciation

	Recent Price	Dividend	Current Yield %
Amer. Brake Shoe & Fdry	31	1.05	3.4
General Amer. Transpt	38	1.75	4.6
General Rwy. Signal	28	1.00	3.6
Westinghouse Air Brake	25	0.50	2.0

Another field which has long been dormant but which has shown some improvement this year is residential construction. Residential building contracts during the first four months, as reported by the F. W. Dodge Corp., for thirty-seven Eastern states totalled $113,515,000, compared with $80,510,000 in the same period last year. Of the four months' figures, $20,000,000 represented alterations and improvements, and about $93,000,000 new construction, which is nearly half again as large as last year. By comparison with pre-depression levels, these figures are still low, but their favorable implications are encouraging. Much has been heard about the surplus of housing, but it may actually be much less than is generally believed. The depression resulted in much doubling up and deferment of marriages and further, since 1931 new construction has been much less than fire losses and demolitions. Meantime, there has been an increase in the population. High construction costs, which keep the price of new buildings at a disparity with existing houses and rents, retard the recovery of the building industry, but the forward strides made in the development of pre-fabricated homes and the application of new materials may have a tendency to force costs to more equitable levels.

The following companies are doubtless well known to the average individual; their products command national distribution and are widely diversified to a point where all of them are currently feeling the stimulus of renovating demand, pending a more complete revival of new construction.

Bonds for Income and Price Appreciation

	Recent Price	Current Yield %
Certain-teed Pdts. Deb. 5½s, 1948	76	7.2

Common Stocks for Price Appreciation

	Recent Price	Dividend	Current Yield %
Amer. Rad. & Stan. San	15	None	...
Devoe & Raynolds "A"	39	2.00	5.1
Johns-Manville	51	0.25	...
Pittsburg Plate Glass	65	2.10	3.2
U. S. Gypsum	56	1.00	1.8

One of the most conspicuous improvements this year has occurred in the demand for agricultural equipment. Lead-

ing companies, although operating at capacity, are reported to be considerably behind in their ability to fill orders. Aside from the automobile industry, farm equipment manufacturers were the largest users of steel in the first quarter this year. Moreover, the demand this year has been much broader than in the past five years, although the sales of light tractors, trucks and pumping units have made the best showing. The industry reports potential demand to be the largest in its history but a sustained rising trend will depend almost entirely upon crop conditions—always an uncertain factor. For the full current year, however, sales should be appreciably ahead of the $200,000,000 volume for 1934, but in the face of the fact that the latter figure was less than 50 per cent of the 1928-1930 average, it is obvious that the industry still has some distance to go before attaining a normal level of operations.

In both the preferred and common stocks representative of the agricultural equipment industry, listed below, the investor is offered a choice of issues promising both increasing income and price appreciation.

Preferred Stocks

	Recent Price	Dividend	Accum. Divs.
Case, J. I. (7%)	100	$4.00	$7.50
Deere & Co. ($1.40)	24	.40	3.35

Common Stocks

	Recent Price	Dividend	Current Yield %
Caterpillar Tractor	48	1.25	2.6
International Harvester	45	0.60	1.3

Thus far we have been concerned with the component industries of the so-called heavy goods industries. Actually, however, the steel industry is the keystone of the heavy industry for it provides a cross section of all of them, and its products play a leading part in the construction of buildings, railway and electrical equipment, machinery and agricultural implements. All of the principal steel producers are to some extent dependent upon the heavy industries but some of them, through the development of lighter forms of steel, have been able to withstand to better advantage the effects of the slump in the demand for heavy steel. Such companies as U. S. Steel, Bethlehem and Youngstown Sheet & Tube have been hardest hit by the restricted sale of heavy steel, and by the same token, these companies have relatively the most to gain by the revival of the heavy industries. Whether, however, such revival will produce a corresponding gain in profits will depend upon the success of the industry in maintaining a firm price structure, and the later trend of steel prices should be the subject of careful attention on the part of investors.

All three general investment classifications are well represented in the steel industry. Three of the preferred issues are particularly interesting in view of the accumulated dividends which they carry, while in the choice of common stocks, the equities of the heavy steel companies predominate, on the generally accepted theory that these companies have the most to gain through a general revival of the capital goods industries.

Bonds for Income

	Recent Price	Current Yield %
American Rolling Mill Deb. 5's, 1948	98	5.2
Wheeling Steel Co. 1st & Ref. 4½'s, 1953	98	4.7
Youngstown Sheet & Tube 1st 5's, 1948	95	5.2
Gulf States Steel Deb. 5½'s, 1942	95	5.7
Otis Steel Co. 1st 6's, 1941	93	6.4

Preferred Stocks for Income and Price Appreciation

	Recent Price	Dividend	Accum. Divs.
Bethlehem Steel (7%)	70	None	$21.00
Republic Steel (6%)	47	None	28.50
U. S. Steel (7%)	88	$2.00	12.50
U. S. Pipe & Fdry. ($1.20)	22	1.20	None

Common Stocks for Price Appreciation

	Recent Price	Dividend	Current Yield %
Bethlehem	27	None	...
Inland Steel	65	2.00	3.0
U. S. Steel	33	None	...
Youngstown Sheet & Tube	17	None	...

Considerable space has been given over to a discussion of the heavy industries, for the reason that these having been the hardest hit by the depression have the most to gain by recovery, and the securities of representative companies therefore, it is reasoned, offer the best odds to the investor seeking to capitalize longer-term prospects. The field of investment opportunities, however, is not limited to the heavy industries: there are a number of other industries which, for one reason or another, invite consideration at this time by the investor seeking a fair yield and better-than-average possibilities for price appreciation.

Barring unforeseen developments of a nature to upset the present balance between crude oil gasoline prices, earnings of the leading oil companies will show a marked improvement this year. The industry has not suffered through any serious decline in consumption during the depression years and its difficulties have been largely due to excessive production of crude oil and the consequent pressure exerted upon gasoline prices. Gasoline consumption this year is running at a record rate, prices are above those of a year ago and crude oil has been practically stabilized at $1 a barrel since September, 1933. Prices have not been noticeably affected by the passing of N R A, except on the Pacific Coast—California being the only important oil producing state in the Union which does not have a rigid proration law. Moreover, the recent passage of the Connally Bill will make it exceedingly difficult for any company to violate state restrictions on production. Oil shares have met with increasing favor on the part of foresighted investors, not solely because of their attractiveness as a hedge against possible inflation, but the belief is growing that in time those companies with large crude oil reserves will become increasingly stronger and more profitable, for with the bulk of potential oil supplies now almost thoroughly blocked out, the threat of new flush pools has been considerably devitalized. This condition is one which might conceivably produce a speculative boom in oil stocks at some later date. Those companies suggested in the accompanying table all have large crude oil reserves and the equity of common stockholders in such reserves is substantial in each case.

Preferred Stocks for Income and Price Appreciation

	Recent Price	Dividend	Accum. Divs.
Pure Oil (8)	86	None	$19.50
Shell Union Oil (5.50)	90	None	22.00
Tide Water Assoc. Oil	100	$6.00	None

Common Stocks for Income and Price Appreciation

	Recent Price	Dividend	Current Yield %
Amerada Corp	68	2.00	3.0
Humble Oil	58	1.00	1.8
Continental Oil	21	0.37½	1.8
Phillips Petrol	22	1.00	4.8
Pure Oil	10	None	...
Shell Union	10	None	...
S. O. Indiana	25	1.00	4.0
S. O. New Jersey	48	1.25	2.6
S. O. California	35	1.00	2.8

The chemical industry can hardly be said to be still under the influence of the depression. Contrarily, the industry has already made impressive progress along the road toward recovery. The industry ranks high among the current investment favorites, and not without reason. Constant research has produced many new processes and

(*Please turn to page* 315)

Possibilities in Bond Arbitraging

Timely Switching Between Issues Under One Mortgage Produces Attractive Profits

By Peter B. B. Andrews

THE investor striving to improve the appreciation possibilities of his bond holdings without incurring a large reduction in income or weakening of security almost always faces a knotty problem. Frequently, however, it is possible to take profits from one's bond holdings without sacrificing the security of investment by arbitraging between two issues of the same lien position.

The basis of this principle is the fact that in many cases several issues of bonds exist under one mortgage, and, often because of institutional selling, estates liquidating or other reasons one of these issues is priced out of line with the normal spread between the bonds. To follow the chart example showing price trends this year to date of three Cleveland Union Terminals First Mortgage bonds, a considerable narrowing of the spread between the 5½s and 5s, see (1), was in evidence at the first of the year. Prices for the two bonds in the preceding year had shown a narrower spread only once, with the widest differentials about 9 points and the average about 5½.

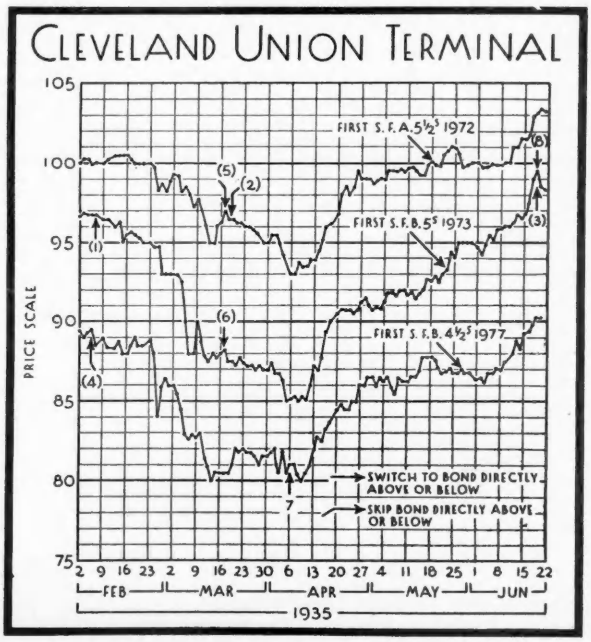
With the 5s obviously selling out of line, then, it was recommended that holders of the 5s switch to the 5½s, in the belief that the spread would ultimately widen to a more normal differential, and the reverse switch could be made at a profit. Thus, the holder of the 5s sold them, added the equivalent of 3¼ points a bond to the proceeds and bought the 5½s at 100.

In something over two weeks, as illustrated by the chart, he could have switched back to the 5s, which had settled back to the more normal spread of 5 points, and regained his original position with a profit of 2 points, less the relatively minor commissions.

However, the investor was in no hurry to take his profit, his fundamental position as to security being unchanged anyway, and not until the spread widened to 9 points, see (2) on the chart, did he finally make the switch, profiting to the extent of 5¾ points. The trend of the rail market during this operation was generally downward, with all Cleveland Union Terminals issues declining, but counting even the loss from this general setback, his principal had actually increased as if the bond had advanced 2¼ points, since the 5½s had declined 3½ points, while he had made 5¾ points on his arbitrage. Inasmuch as the bonds all are under the same mortgage, he had achieved this without losing any of the original safety of his position.

The first part of this same operation almost duplicated itself in June, see (3). This time in a rising market. A three-point spread between the issues was repeated then, the arbitrageurs again making their switch from the 5s to the 5½s and settling back to await the opportunity which is practically certain to occur within the next month or two for a substantial profit on the reverse switch. The holders of the 5s who made the switch to the 5½s in February now have, in addition to their 5¾ points arbitrage profit, a 5½ point market advance over the price of the 5s at the time of the February switch to the 5½s, making an aggregate rise in principal of 11¼ points.

Similarly, the holders of the 4½s who made the switch to the 5½s, see (4), in February at a 10½ point spread were able to take the reverse switch in March when the spread widened to 16½ points, permitting a profit, less commissions, of 6 points. The holders of the 5s found their opportunity to make an arbitrage without having to add principal, see (6), when the differential between the 5s and the 4½s deepened to 7¾ points. Profit of 3¾ points was taken, see (7), when the differential closed up to that extent.



The latest opportunity has presented itself in the abnormal advance of the 5s. The shortening of the differential between the 5s and 5½s would permit an ultimate arbitrage profit by switching into the 5½s, but the 4½s also are in a good technical spot, and since they can be purchased without the necessity of new money and the 5½s are selling well over par, the better arbitrage at the moment is the sale of the 5s and purchase of the 4½s.

Arbitraging of bonds with the same lien position can be applied to issues of practically every price (*Please turn to page* 320)

The Magazine of Wall

THE MAGAZINE OF WALL STREET's Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

Naturally, it is understood that all the issues mentioned do not constitute recommendations, although the relative merit of each is clearly indicated either by the tabular matter or by the comment. For those who desire to employ their funds in fixed income-bearing securities we have "double starred" the issues which appear to us most desirable, safety of principal being the predominant consideration, while a single star designates those which, while somewhat lower in quality, nevertheless provide an attractive income, or offer possibilities of price enhancement.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1933	Fixed Charges times earned† 1934	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Chicago, Burlington & Quincy R. R.								
★★Gen. 4s, 1958	220	84	1.6	1.5	N C	107	3.6	Of the highest grade.
1st & Ref. "A" 5s, 1971	220	70	1.6	1.5	107½ '42*	110	4.4	While subject to some $160,000,000 in prior liens, is still strong.
Illinois Division 3½s, 1949	220	84	1.6	1.5	105	105	3.1	Of the highest grade.
Missouri-Kansas-Texas R. R.								
Prior Lien, "A" 5s, 1962	107	62	.7	.4	105	42	11.9§	Now none too strong.
Adjustment "A" 5s, 1967	107	14	.7	.4	100	13	...	Junior to issue above. Interest April '35 omitted.
★M., K. & T. 1st 4s, 1990	107	39	.7	.4	N C	78	5.2	Underlies the two issues above.
New York Central R. R.								
★Consolidation 4s, 1998	679	116	.9	.9	N C	85	4.8	A strong issue.
Coll. Tr. Conv. 6s, 1944	679	60	.9	.9	105*	109	4.8	Pledged securities include $48,000,000 Consolidation 6s.
Ref. & Imp. "A" 4½s, 2013	679	367	.9	.9	110	61	7.4	Fairly strong only.
★★N. Y. C. & H. R. Mtge. 3½s, 1997	679	100	.9	.9	N C	97	3.6	High grade.
N. Y. C. & H. R. Lake Shore Coll. 3½s, '98	679	23	.9	.9	N C	87	4.1	Prior in lien to Consolidation 4s, 1998. High grade.
N. Y. C. & H. R. Mich. Cent. Coll. 3½s, 1998	679	19	.9	.9	N C	87	4.1	
★★Lake Shore & M. S. 1st 3½s, 1997	679	50	.9	.9	N C	101	3.5	Of the highest grade.
Chic., Ind. & Sou. Mtge. 4s, 1956	679	15	.9	.9	N C	92	4.6	Good bond.
Cleveland Short Line 1st 4½s, 1961	679	12	.9	.9	N C	105	4.2	Better grade.
Jamestown, Frank. & Clear. 1st 4s, '59	679	11	.9	.9	N C	81	5.3	Of good caliber.
C., C., C. & St. Louis Ry.								
Gen. 4s, 1993	679	32	.9	.9	N C	95	4.2	Better grade.
Ref. & Imp. "E" 4½s, 1977	679	67	.9	.9	105 '47*	70	6.6	Junior to issue above.
Michigan Central R. R.								
1st 3½s, 1952	679	18	.9	.9	N C	103	3.3	Of the highest grade.
Ref. & Imp. "C" 4½s, 1979	679	18	.9	.9	105*	96	4.7	Junior to issue above.
Canada Southern Cons. "A" 5s, 1962	679	23	.9	.9	N C	111	4.3	Better grade bonds.
Detroit R. T. (D. T. & T.) 1st 4½s, '61	679	18	.9	.9	N C	110	3.9	
N. Y. & Harlem Ref. (now 1st) 3½s, 2000	679	12	.9	.9	N C	...	...	Of the highest grade.
West Shore 1st 4s, 2361	679	49	.9	.9	N C	82	4.9	Strong, well-situated bond.
New York, N. H. & Hartford R. R.								
1st & Ref. 4½s, 1967	256	84	.7	.7	105 '37*	35	12.9§	Large debt equally secured. June int. paid.
Non-conv. Deb. 4s, 1956	256	50	.7	.7	N C	31	12.9§	May '35 int. paid.
Secured 6s, 1940	256	16	.7	.7	105	50	12.0§	Secured by pledge of $23,000,000 1st & Ref. 6s. April '35 int. paid.
Conv. Deb. 6s, 1948	256	39	.7	.7	N C	39	15.4§	Jan. '35 int. paid.
Deb. 4s, 1957	256	15	.7	.7	N C	21	19.0§	Unsecured by mtge. May '35 int. paid.
★Harlem Riv. & Port Chester 1st 4s, 1954	256	15	.7	.7	N C	93	4.6	Better grade investment.
Central New England 1st 4s, 1961	256	13	.7	.7	105	59	7.7	Second grade.
New England R. R. Cons. 4s, 1945	256	18	.7	.7	N C	64	9.5	
Guaranteed								
N. Y., West. & Boston 1st 4½s, 1946	..	19	....	....	110	23	19.6§	Jan. '35 int. paid.
St. Paul Un. Depot 1st & Ref. "A" 5s, 1972	15	15	....	....	110 '42*	117	4.1	Guarantors include the Northern Pacific, Great Northern and the Burlington.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1933	1934	Call‡	Recent	Yield to Maturity	COMMENT
American Telephone & Telegraph Co.								
Collateral Trust 5s, 1946	1039	66	6.6	6.0	105	108	4.1	Of the highest grade.
Deb. 5s, 1965	1039	388	6.6	6.0	110*	112	4.3	Strong bond, though not secured by mortgage.
Bell Telephone of Pennsylvania								
1st & Ref. "C" 5s, 1960	97	85	1.9	2.3	100 '57	124	3.5	High grade.
Central District Tel. 1st 5s, 1943	97	9	1.9	2.3	105	108	3.9	Assumed B. T. of Pa. High grade.
Columbus Ry., Power & Light Co.								
1st & Ref. "A" 4½s, 1957	24	19	2.5	2.3	105*	107	4.0	Better grade investment.
Sec. Conv. 5½s, 1942	24	5	2.5	2.3	105*	111	3.6	Security equivalent to issue above.
★★Commonwealth Edison 1st "F" 4s, 1981	195	175	1.8	1.9	105*	103	3.8	High grade.

Street's Bond Appraisals

Public Utilities (*Continued*)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1933	Fixed Charges times earned† 1934	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Consol. Gas of New York, Deb. 4½s, 1951	397	140	3.2	2.6	106*	108	3.8	Better grade, despite the political agitation for lower rates.
Westchester Lighting 1st 5s, 1950	397	9	3.2	2.6	N C	120	3.4	Of the highest grade.
N. Y. & Westchester Ltg. Gen. 4s, 2004	397	10	3.2	2.6	100	103	3.8	Junior to issue above, but still strong.
Detroit Edison Gen. & Ref. (now 1st) "D" 4½s, 1961	134	134	1.9	1.8	105 '41*	112	3.8	Entitled to a high rating.
Duquesne Light 1st "A" 4½s, 1967	70	70	4.2	4.0	104	105	4.2	High grade. Reported to be contemplating refinancing this debt.
Gulf States Utilities 1st & Ref. "A" 5s, '56	20	20	1.7	1.8	105*	104	4.7	Entitled to a good rating.
Kansas City Power & Light 1st 4½s, 1961	38	38	2.6	2.7	110*	113	3.7	High grade. Debt being reduced.
New York Edison								
1st Lien & Ref. "B" 5s, 1944	123	85	4.4	3.3	105*	107	4.1	High grade investment bond.
N. Y. Gas & El. Lt., Heat & Pwr. 1st 5s, 1948	123	15	4.4	3.3	N C	124	2.7	Assumed by New York Edison. Gilt-edged.
do P. M. 4s, 1949	123	21	4.4	3.3	N C	113	2.8	
New York Power & Light 1st 4½s, 1967	67	66	1.8	1.5	105*	106	4.2	Of good caliber.
Oklahoma Gas & Electric Co.								
1st 5s, 1950	43	35	1.7	1.7	103*	104	4.6	Good bond.
Deb. 6s, 3.1.40	43	7	1.7	1.7	102*	102	5.5	Junior to issue above.
Pug. Sd. Pr. & Lt. 1st & Ref. "A" 5½s, '49	66	63	1.2	1.2	103½*	78	8.2	None too strongly situated.
Std. Power & Light Deb. 6s, 1957	481	24	1.1	....	105*	42	14.3	Second grade. Feb. '35 int. paid.
★Texas Electric Service 1st 5s, 1960	34	34	1.7	1.7	105*	99	5.1	Medium grade issue.
Utah Power & Light Co.								
1st 5s, 1944	54	42	1.2	1.2	105	88	6.8	Medium grade.
1st & Gen. 4½s, 1944	54	5	1.2	1.2	101¾*	85	6.9	Equal amount of 1st 5s, pledged hereunder.
Deb. "A" 6s, 2022	54	5	1.2	1.2	110*	80	7.5	Junior to two issues above.
Utah Lt. & Trac. 1st & Ref. "A" 5s, 1944	12	12	1.0	1.0	105	88	6.8	Guaranteed by Utah Power & Light.
West Texas Utilities 1st 5s, 1957	25	25	1.2	1.2	103*	77	7.1	Second grade bond.

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1933	1934	Call	Recent	Yield to Maturity	COMMENT
Am. International Conv. Deb. 5½s, 1949	14	14	1.1	1.0	105	93	6.2	Asset value $1406 on Dec. 31, 1934.
Am. Smelting & Refining 1st "A" 5s, 1947	36	36	4.0	4.9	100	101	4.9	Strong bond.
American Radiator Deb. 4½s, 1947	11	10	....	....	101½*	105	4.0	Company does better. Bond is high grade.
Bethlehem Steel Corp.								
10-Yr. 4½s, 1935/1941	121	7	def	1.1	N C	...	...	Tho unsecured by mortgage are better grade.
Midvale Steel & Ordnance 5s, 3.1.36	121	31	def	1.1	105	103	2.0	Strong bonds.
Beth. Steel Co. 1st & Ref. 5s, 1942	121	24	def	1.1	105	108	3.7	
McClintic-Marshall Coll. Tr. 5½s, 1935/1937	121	6	def	1.1	102½	...	...	Better grade.
Pacific Coast Steel 5s, 1935/1940	121	7	def	1.1	100	...	...	Good issue.
Bethlehem Steel Co. P. M. 6s, 1998	121	8	def	1.1	N C	135	4.3	Better grade.
Bethlehem Steel Co. P. M. & Imp. 5s, 7.1.36	121	23	def	1.1	105	104	2.2	
Com'l Investment Tr. Conv. Deb. 5½s, 1949	18	18	8.9	14.1	110*	112	4.4	Booming business results in even better protection.
Goodrich (B. F.) Co.								
1st 6½s, 1947	38	18	1.0	2.0	107	108	...	Likely to be called.
Conv. Deb. 6s, 1945	38	20	1.0	2.0	105*	98	6.3	Junior to issue above.
Inland Steel 1st "A" 4½s, 1978	40	40	1.1	2.9	102½*	106	4.2	Now high grade.
Lehigh Coal & Navig. Cons. "A" 4½s, 1954	33	20	1.6	2.1	105	105	4.1	Better grade. Reducing debt.
Penn-Dixie Cement 1st 6s, 1941	9	9	def	def	103*	88	8.6	Business improved, but bond is still speculative.
Philadelphia & Reading Coal & Iron								
Ref. 5s, 1973	57	27	def	.7	105	60	8.6	Second grade.
Deb. 6s, 1949	57	31	def	.7	110*	38	15.8§	March '35 interest paid.

Short-Term Issues

Company	Due date	Amount of this issue (mil'ns)	1933	1934	Call	Recent	Yield to Maturity	COMMENT
Atlantic Refining Deb. 5s	7.1.37	14	10.1	8.6	N C	107	1.5	Better grade investment.
Baltimore & Ohio Notes 4½s	8.1.39	50	1.1	.9	101½*	91	7.1	Medium grade.
Buffalo Gen. El. 1st Ref. 5s	4.1.39	7	2.1	2.2E	105	...	...	High grade bond.
California Gas & El. Un. & Ref. 5s	11.1.37	9	2.0h	2.1h	110	108	1.4	hEarnings Pac. Gas. High grade.
★★Chicago Gas Light & Coke 1st 5s	7.1.37	10	1.4k	1.2k	N C	106	2.0	kEarnings Peoples Gas. Better grade investment.
Gulf Oil Deb. 5s	12.1.37	28	def	1.5	103½	...	...	Called for redemption June 1.
New York Telephone 1st & Gen. 4½s	11.1.39	61	4.6	6.8	110	111	1.9	Gilt-edged.
Pacific Tel. & Tel. 1st & Coll. 5s	1.2.37	26	4.0	4.5	110	106	1.9	Of the highest grade.

† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad the item includes interest on funded debt and other debt rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends minority interest, etc. ‡ An entry such as 105 '38 means that the bond is not callable until 1938 at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices. ★★ Our preferences where safety of principal is predominant consideration. ★ Our preferences where some, slight risk may be taken in order to obtain a higher return. § Current yield. E Estimated.

Market Indicators

For Profit

A Better Report Coming

The reason why the stock of National Biscuit is selling some seven or eight points above the year's low of $22.25 a share is because of the confident expectation that earnings for the second quarter will be materially better than the 22 cents a share shown for the first. During the first months of the year the company was troubled with labor difficulties which spread to a partial boycott of its products. Now that all this is settled and with such important raw materials as flour and lard substantially lower in price, there would seem to be a sound basis for expecting an improvement in earning power. Competition, of course, in the biscuit field is still very keen, but its effects will be less obvious now that other important factors have taken such a change for the better.

* * *

Fertilizer Outlook

The passing of the N R A code system was considered a good thing on the part of the country as a whole. The fertilizer industry, however, is not among those who think so. For years this industry had been bedevilled by vicious price-cutting tactics, but along came the N R A and under it a price-posting system was set up which made for relative price stability at a profitable level. As a result 1933 was the most satisfactory period in years for the fertilizer companies. American Agricultural Chemical earned $4.19 a share of common stock in the year ended June 30, 1934; International Agricultural earned $4, compared with a loss in the previous period; likewise Virginia Carolina covered prior preferred dividends with a margin to spare, whereas a loss was experienced in the year ended June 30, 1933. Reports which will be coming out shortly for the twelve months to June 30, 1935, should, in the aggregate, be even better than those for the period immediately preceding. The industry, however, is worried, lest, with the N R A codes now out of the picture, the old price-cutting tactics be resorted to again. Attempts are being made to set up a voluntary code system with the approval of the Federal Trade Commission, but only time can tell whether it will work. Hence, it would seem that fertilizer stocks are poised rather precariously and that their owners would be well advised to keep close watch on the situation.

Among the Newcomers to the New York Stock Exchange

Name of Company	Current Price of Common	Type of Business
Acme Steel Co.	$53	Chicago steel manufacturer. Principal outlet, automobiles.
Armstrong Cork Co.	22	All kinds of cork products.
Bridgeport Brass Co.	10	Fabricator of brass, copper and other metals.
Chicago Mail Order Co.	20	Mail order house.
Cleveland Graphite Bronze Co.	29	Motor bushings and bearings.
Greyhound Corp.	48	Holding company for bus-operating companies.
Mission Corp.	12	Principal assets, Tide Water Associated Oil and Skelly Oil.
Natomas Corp.	11	Dredges gold, leases agricultural lands and distributes water.
Pacific American Fisheries, Inc.	14	Catches and cans salmon.

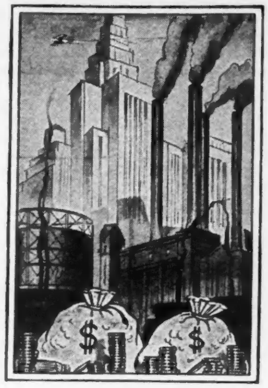
Backfires

Interesting is the number of things done in Washington over the past few years which have worked out directly opposite to expectations. Take the silver-purchase program, for example. It was supposed to help the downtrodden Chinese and instead it blew their economy higher than a kite. Many of the processing taxes, imposed for the purpose of giving a bonus to producers, were paid by those self-same producers because of the lower price they received for their produce. Now we apparently are to have a graduated corporation tax, which is part of the "share-the-wealth" by "soaking-the-rich" scheme. Under the plan, large corporations will be taxed at a heavier rate than small corporations. Thus American Telephone & Telegraph with its hundreds of thousands of little stockholders will be hit more severely than some rich man's personal company. It seems worth noting that the very rich are secure against anything—they can merely be inconvenienced by higher taxes—while it is the little fellow who has saved hard and managed to accumulate a few dollars that is always the one to get "soaked" in the last analysis.

* * *

One Way of Skinning a Cat

Upon the death of N R A at the hands of the Supreme Court a few weeks ago, the old "loss-leader" scheme of obtaining business began to rage again. In New York prominent department stores were selling popular brands of cigarettes at not much more than half their actual cost of $1.08 a carton. Similar scenes were witnessed on the Pacific Coast. However, one chain store out there scotched this thoroughly uneconomic practice by offering to buy for cash at regular wholesale prices any merchandise which



and Income

the public might manage to pick up below cost from its competitors. A few days later retail prices were stable at reasonably remunerative levels. In theory, competition is all right, but equally certain it is that some kinds of competition can be destructive, and the "loss-leader" is one kind of destructive competition. It is a pity that the manner of its being stopped on the Pacific Coast cannot be expanded to other localities and other merchandise.

* * *

Pertaining to Shoes

Currently many of the country's shoe manufacturers are operating their plants at, or close to, capacity. There was an unusually early start this year on fall production, the two principal reasons therefor being the fear that leather prices would rise later on in the year and that the passing of the Wagner Labor Bill might well result in labor difficulties. However, shoes are passing into consumption well and from an earnings standpoint both manufacturers and retailers have nothing of which to complain. This situation is reflected in the price of shoe stocks which, if they are not actually at the high for the year, are sufficiently close to it as to make no difference. Endicott-Johnson, currently selling at $65 a share and paying a regular annual dividend of $3 a share should end its fiscal year next November having enjoyed the greatest production of its history. In the past fiscal year, the company earned the equivalent of $4.34 a share of common stock. International Shoe is currently quoted around $46 a share, pays a $2 regular annual dividend, and likewise is expected to return in a satisfactory report for the twelve months ended next November. Brown Shoe, selling at $58 a share, pays a regular dividend of $3 annually; for the six months ended last April, this company earned the equivalent of $1.53 a share of common stock. Melville Shoe, which is not a manufacturer of shoes at all, but a chain store distributor of them, reported sales for the twenty-four weeks to June 8 more than 13% ahead of the corresponding period of last year. The stock of this company, too, is about at its high for the year—$50 a share. The balance sheets of all these companies are noteworthy for the strong current financial situation which they reveal. While there is not a great deal of dynamic romance in the stocks of the shoe companies, they come close to affording as high a yield with a reasonable degree of safety as can be found during these times of extremely easy money rates. Today, an investment in the neighborhood of 5% must be considered satisfactory.

Estimated Earnings for the First Six Months of 1935

Company	Per Share
Air Reduction	$3.00
American Telephone & Telegraph	3.25
Beech-Nut Packing	1.90
Chrysler	5.00
Columbia Pictures	11.62**
Corn Products Refining	1.30
Distillers Corp.-Seagrams	4.00
International Nickel	.60
Kelsey-Hayes Whee "A"	3.70
Murray Body	1.65
Procter & Gamble	1.10
Schenley Distillers	3.50
Union Carbide & Carbon	1.25
Westinghouse El. & Mfg	2.50

** Fiscal year ended June 30, 1935.

The Installment Companies

Currently, the big installment financing companies, Commercial Investment Trust and Commercial Credit, are enviably prosperous. They have been beneficiaries of a happy combination—the wave of buying that has taken place in automobiles, refrigerators, radios and other consumers' durable goods, coupled with extremely easy money. In other words, they have been enabled to borrow money cheaply and relend it at their usual not so cheap rates, and plenty of it. However, a cloud, so far no bigger than a man's hand, has appeared in the sky. Banks, glutted with money, are attempting to enter the profitable installment lending business. They have encountered obstacles, of course; the established companies in the field have many exclusive contracts which, if a customer wants credit accommodation, forces him to obtain it from them. Then again, the big companies set up a reserve, most of which eventually goes back to the dealer in the form of an additional profit, so that there is dealer resistance to changing the present state of affairs. Nevertheless, although the big, national finance companies undoubtedly will be profitable organizations for a long time, interested security holders might be well advised to watch the growth of the new competition which may force a lowering of charges fixed by the leading companies.

* * *

Equipment Maker Doing Better

Selling around $40 a share, which is approximately the high for the year, the stock of Food Machinery Corp. is reflecting prosperous business conditions for the company. The name of the organization is apt, for almost all the equipment made is concerned directly or indirectly with food. The line includes spraying and dusting outfits, plows, packing and canning house equipment, fruit washers and graders, and fruit peelers, corers and stemers. The company also makes a line of automobile service station equip-

(Please turn to page 324)

The Tide Turns for Largest Transportation Company

Improvement in 1934 Bids Fair to Continue

By George W. Mathis

High Lights of Southern Pacific Co.

Largest transportation system in the country—16,231 miles.

Largest total assets—$2,212,341,305.

Reduced deficit in 1934 to $3,907,000 an improvement of $5,105,000.

Showed a net income of $408,000 for Southern Pacific and transportation system companies for 1934, against a loss of $4,319,000 in 1933.

Increased revenues in all classifications of freight in 1934, over 16%.

Extended motor bus business and reported substantial net income from subsidiaries in this field.

Enlarged store-door and pick-up delivery.

Increased passenger revenues in 1934 5.73%.

Consolidated Texas and Louisiana lines under a subsidiary, the Texas & New Orleans Railroad Co.

Increased net working capital to over $22,000,000 last year.

Raised cash item from $21,287,000 to $28,249,000 at the close of 1934.

THE Southern Pacific Co. is giving decisive evidence that it is one of the carriers that is throwing off the load of troubles that have weighed on all of the railroads alike. Its transportation system actually emerged from the red, in 1934, and showed a profit of $408,000, while the deficit for the entire system was cut from over $9,000,000 in 1933 to $3,907,000 in 1934.

Furthermore, while the improvement is not spectacular, the gain has continued thus far in 1935. Troubles by no means have been left behind, but the trend seems to be definitely favorable. Through consolidation of its many smaller lines in Texas and Louisiana, under one single subsidiary corporation, it has made a definite step toward greater efficiency, closer co-operation of the underlying roads, and more economical operation. It is meeting the motor bus competition with its own bus lines, and with sensible concessions to offset destructive competitive rivalry in this field.

The company's railway operating revenues in 1934, of $149,192,000, showed an increase of $19,331,000 over those of the previous year, but this was largely offset by an increase in the railway operating expenses of $11,205,000. The net railway operating income, which is the amount after the deduction of charges for equipment and joint facility rents, was $17,300,000, a gain of $7,946,000.

Southern Pacific was, and is, fortunate in that much of its revenue is derived from freight contributed by the citrus and deciduous fruit industry of California. More than half of the entire increase in railway operating income in 1935 from agricultural products, came from this source and from the shipment of fresh vegetables. While by no means immune from the vicissitudes inherent in the production of perishables, the California fruit industry has a sort of stability which makes it possible for one to base calculations on its possibilities over a considerable period of time. In addition to this traffic, the company has been aided by increased business in perishables in the Rio Grande valley of Texas.

All of the five general classifications of freight business of the Southern Pacific increased revenue last year. These classifications comprise products of agriculture, animals and animal products, products of mines, products of forests and manufactures and miscellaneous. The latter, including as it does such a varied number of commodities, is usually the big source of freight revenue for the railroads, and Southern Pacific was no exception to the rule in 1934. Freight from this classification constituted 25.65% of all the traffic in commodities, and it brought the biggest gain in revenue.

Southern Pacific had reason to feel a measure of satisfaction over the improvement in passenger traffic also. This department gained $1,015,000, or 5.73% in 1934. Some of the roads, among them the Southern Pacific, adopted, as experimental, a policy of reducing fares, and this, with the elimination of the Pullman surcharge impelled many people to travel for the first time in many years. The westward tourist movement was noticeably greater, and Southern Pacific profited thereby.

The Southern Pacific Co. is both a holding and an operating company. It was among the first of the big corporations to act as a holder of the securities of other corporations, and though most of the underlying companies are engaged in actual railroad operation, the parent company controls outright the Southern Pacific Land Co., has a one-third interest in the Associated Pipe Line Co., a half interest in the Pacific Fruit Express Co., and has large blocks of both the common and the preferred stocks of the Pacific Greyhound Corp., a holding company, whose subsidiaries operate bus lines west from Salt Lake City, Utah, and El Paso, Texas. It operates directly two steamship lines, running from Galveston, Texas, and New Orleans to Baltimore and New York.

Sound Capitalization

At the close of 1934 the capital stock of Southern Pacific, outstanding in the hands of the public, consisted of 3,772,777 shares, of common stock of $100 par value. There were held, within the system itself, $377,357,300 in stock of $100 par.

Total long-term obligations of the company, as shown by the balance sheet of December, 1934, were $837,752,000. Of this $683,213,000 were in the hands of the public, the balance being represented by obligations held within the system, and by non-negotiable debts to affiliated companies. The company has an indebtedness of $22,000,000 to the Reconstruction Finance Corporation, and it also owes $12,000,000 to the Federal Emergency Administration of Public Works. This latter indebtedness is in the form of 10-year 4% bonds, and, naturally, is carried as a part of the funded debt. These bonds mature semi-annually, in amounts of $750,000, on May 1 and November 1 of each year, beginning with May 1, 1936. The R F C loan also is carried under funded debt, though $16,670,000 of this matures in 1936.

During 1934 the company materially bettered its financial position. At the end of the year it had current assets of $67,167,000 and current liabilities of $45,138,000, leaving an indicated net working capital of $22,029,000. This compared with $19,259,000 on December 31, 1933. The cash item increased from $21,287,000 at the close of 1933 to $28,249,000 on December 31, 1934.

As the parent company of a large system of railroads, the Southern Pacific Co. owns practically all of the capital stocks of the various companies in the system. East of El Paso there are a number of roads operated under lease by the Texas & New Orleans Railroad Co. Many of the smaller railroad companies that previously had been operated by the Southern Pacific, were merged to create the Texas & New Orleans Railroad Co., all of whose stock is owned by the Southern Pacific Co.

The latter also owns all of the stock of the Central Pacific Railway Co., ownership having been confirmed in Southern Pacific, in 1923 after a decree segregating Central from Southern Pacific had been handed down by the Supreme Court in 1922. This was brought about through the creation of the Transportation Act which legalized the ownership, which the court previously had held was in violation of the Sherman anti-trust law.

A highly important holding, and one which should prove of a value, in later years, that it has not yet demonstrated, is the slightly more than 87% stock ownership by Southern Pacific of St. Louis Southwestern Railway Co. This line, commonly called the "Cotton Belt" operates about 1,800 miles of road, connecting St. Louis with Fort Worth and Dallas, Tex. While it has not been operating with profit since 1929, it has succeeded in cutting its deficit, and with the continued control by Southern Pacific, linking it up with its own lines, "Cotton Belt" presents income potentialities, which would seem to make it a valuable acquisition for the Southern Pacific.

By far the most profitable of Southern Pacific's "outside" holdings, that go to make up "other income" in its report to the Interstate Commerce Commission, is its one-half ownership of the Pacific Fruit Express Co. This company owns more than 41,000 refrigerator cars, which are operated over the lines of the Southern Pacific, Union Pacific and Western Pacific. The other half interest in the express company is owned by the Union Pacific.

Southern Pacific has profited greatly by its ownership of the stock of Pacific Fruit Express. In 1933 it received in dividends $12,390,000, and while the disbursement was reduced in 1934, it was still the largest income from outside sources. From 1929 to 1933, inclusive, Southern Pacific drew, in dividends, from Pacific Fruit Express, about $56,000,000. In March of this year the railroad company received a special distribution of $4,590,000 from Pacific Fruit.

Meeting Competition of Bus and Truck

In common with other carriers, Southern Pacific has felt keenly the competition of the motor bus. In order to meet this competition, the company has become a substantial holder of stock in the Pacific Greyhound Corp., and also a smaller percentage of the stock of the Southwestern Greyhound Lines, Inc. The former operates in the territory south of Portland, Ore., and west of El Paso,

(*Please turn to page 316*)

Southern Pacific Train Crossing Great Salt Lake

Standard Oil *vs.* Standard Oil

Family Fight, Also Battle Royal

By Edwin A. Barnes

THE gong has sounded for the opening round in what promises to be one of the most interesting, and perhaps bitter, industrial scraps in recent years—Standard Oil of New Jersey versus Standard Oil of Indiana. The Jersey company has led with a flashing invasion of its opponent's territory and Standard of Indiana has countered with the cry of "foul", asking the referee, the Missouri Federal Court, to grant an injunction against its bigger rival. There the fight stands for the time being, but its outcome promises to be of importance to all oil companies, particularly the Standard Oil group.

Following the dissolution of the old Standard Oil Co. of New Jersey by court order in 1911, the various offspring settled down in their allotted territories, contenting themselves with preserving the Standard Oil traditions. Their competitive battles were waged against independent rivals, while among themselves it remained tacitly understood that any trespassing beyond their own particular domain would be in violation of the family ethics. All went well with these companies for some years, but with the rapid growth of the oil and gasoline business into a major industry of vast ramifications, the urge for a wider scope and greener fields than their allotted territories afforded gradually swept away all of the original boundaries. Peaceful rivalry gave away to sprawling aggressiveness.

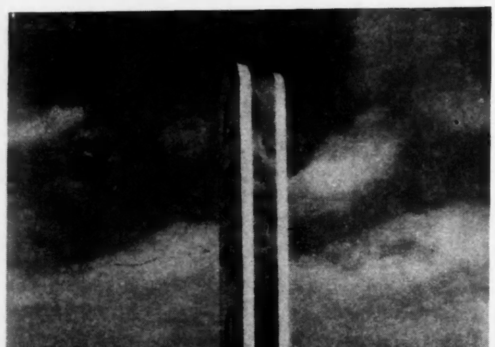
Originally, the Atlantic Seaboard and New England was dominated by the Standard Oil of New Jersey and Standard Oil of New York, the Mid-West by Standard of Indiana and the Pacific Coast by Standard of California. These companies are still dominant in their respective fields but in recent years their territorial prestige has been strongly challenged and competition has been intensified not only among themselves but by such leading independents as Texas Corp., Shell Union, Sun, Gulf, Tidewater and others. It is this destructive race among the leading companies which has resulted in a great excess of marketing outlets and the costly price wars which have frequently flared up.

The Standard Oil of New Jersey started "all o' the shootin'" when it knocked the chip off of the shoulder of the independents back in 1929. Irked by the nation-wide distribution of which Shell Union and Texas were boasting, and exasperated by its inability to follow suit, Jersey Standard threw all implied restrictions to the winds and landed with both feet into the territory of its neighbor, Standard of New York, by the acquisition of the Beacon Oil Co., with retail outlets in New England and New York. Other former Standard Oil units, after they had recovered from the shock, promptly took their cue from the Jersey company. Standard of New York acquired outlets in New Jersey and Pennsylvania and Atlantic Refining, which was a potent factor in Pennsylvania, moved up into New Jersey and the battle was on.

Standard of New York moved into the populous Mid-West territory, into the South and out on the Pacific Coast, while Standard of Indiana retaliated by extending its field to the entire Atlantic Seaboard. In fact of all of the larger Standard Oil units, Standard of California alone stayed close to its home territory, but from recent indications it is apparent that this company is definitely embarked upon a campaign of expansion which will bring it into direct competition with other Standard Oil companies. Standard of California recently announced that it had acquired a chain of 30 retail stations in the Dominion of Canada, and will later erect a refinery to supply these stations. The Canadian market has long been dominated by the Imperial Oil Co., Ltd., a subsidiary of Standard Oil of New Jersey, and many well informed observers regard this move on the part of the California company as merely a wedge with which the company will gradually compete in the entire Canadian market. Meanwhile the company continues to compete aggressively in foreign fields, particularly the Far East, with both leading American and European oil interests.

Perhaps the reason that Standard of California appears to have been somewhat tardy in meeting competition, was the contemplated merger of that company and Standard Oil of New Jersey, but negotiations to that end were not broken off until about two years ago. In the present circumstances, there

(*Please turn to page* 321)



Courtesy Standard Oil of N. J.

Out for More

Low Priced Opportunities in Common Stocks

Sound Issues Offering Promise of Appreciation

By The Magazine of Wall Street Staff

Sperry Corp.

Although the Sperry Corp. is usually classified among the aviation stocks, such a grouping is somewhat misleading. The company is a manufacturer of an assorted variety of instruments, some of which are aviation accessories, but the army and navy are its best customers—something less than 15% aviation and the balance miscellaneous is one way of putting it. Sperry's principal products include gyro-compasses and stabilizers, anti-aircraft guns, searchlights and flood-lights, and an array of gun control instruments. The business is international in scope.

Earnings Per Share 1934	1933	Div.	Recent Quotation
\$0.96	\$0.23*	\$0.50	\$10

* Ten months.

The Sperry Corp. has been a consistent earner of money; not a great deal perhaps on a per share basis, but throughout the depression it never went into the "red." For last year the company reported a net income of \$1,878,104 after depreciation, taxes and other charges. This was equivalent to 96 cents a share of common stock, based on 1,949,111 shares each with a par value of \$1. As the company was formed only in 1933, the previous report covered the period from March 1 to December 31, 1933, for which 23 cents a share was shown.

Capitalization is of the simplest possible form, holders of the outstanding common stock being the sole owners of the business; they are without worry as to claims by bond and preferred stock holders. Working capital position is comfortable with current assets at the end of last year totalling \$5,805,119, of which \$1,407,187 was in cash, compared with which current liabilities amounted to \$1,352,937.

Sperry paid its first dividend last December, the ice being broken with a distribution of 25 cents. A similar disbursement was made July 1, last. Although it is something of an assumption to suppose that the stock is on a 50 cent annual dividend basis, there is nothing illogical in such an attitude, for the company undoubtedly is earning this rate with a substantial margin to spare. If one *can* suppose that the dividend is a regular 50 cents, then the issue yields 5% at the present price of \$10 a share.

From the medium range viewpoint considerable interest attaches to the stock of the Sperry Corp. because of the manner in which, not only the United States, but the whole world is building up armaments. With the United States embarked upon a program to build the navy up to Treaty strength, with a similar program of expansion being carried out in regard to army and navy aircraft, and with a widening field in commercial and private aviation on which to count for business, Sperry may well be entering the most profitable period of its life.

Tide Water Associated Oil Co.

Tide Water Associated Oil is a holding company, its two principal subsidiaries being Associated Oil Co. and Tide Water Oil Co., which are about 99% and 98% controlled respectively. The organization is a completely integrated unit; it produces, transports, refines and markets petroleum and its derivatives. Prior to recent years, refining capacity was far in excess of the company's own production. Indeed, crude is still bought in considerable quantities, but this is because of proration, for the company has engaged in an extensive development program of late years which has brought potential crude production in excess of refinery capacity.

At the end of last year Tide Water Associated Oil through its operating subsidiaries owned or leased some 70,000 acres of proven oil lands, located for the most part in the states of California, Oklahoma, Texas, Pennsylvania and Illinois. In addition to this, there were owned or leased more than 400,000 acres of unexploited land. Last year average daily production amounted to 44,360 barrels of crude and 53,542,000 cubic feet of gas. The company's refineries at Bayonne, New Jersey; Drumright, Oklahoma, and at Avon and Watson in California, processed an average of 88,251 barrels of crude daily. While it can be seen that during 1934 the company bought about as much oil as it produced, this, as has been said, was largely because of the artificial curtailment of production.

Earnings Per Share 1934	1933	Div.	Recent Quotation
\$0.35	\$0.65	None	\$10

Complementing wells and refineries, Tide Water Associated has extensive trunk pipe line and gathering line facilities, together with seventeen ocean-going tankers, a number of barges and other craft, marine terminal facilities, locomotives and cars, trucks, trailers and tractors. Distribution is largely wholesale, although more than 1,200 service stations are either owned or controlled. In all, total resources are not far from \$200,000,000.

The capitalization of the Tide Water Associated Oil organization consists of 5,631,341 shares of the parent company common stock and 636,222 shares of the parent company 6% cumulative preferred stock; in ad-

dition to which there is nearly $20,000,000 in Tide Water Oil preferred, all of which has been called for redemption August 15 at 105, together with a few shares of Tide Water Oil common and Associated Oil common still outstanding with the public. There is no funded debt, except a small amount of purchase money obligations.

Last year, Tide Water Associated earned the equivalent of 35 cents a common share, compared with the equivalent of 65 cents in the previous year. For the first quarter of 1935, 5 cents a common share was shown. While recent earnings have been somewhat disappointing, it is to be remembered that the position of the common has steadily improved in late years by the elimination of senior claims. Now that the Tide Water Oil preferred has been called and all dividend arrears on the company's own preferred liquidated, a moderate pick-up in current earning power should put the common stock of Tide Water Associated Oil in line for dividends.

American Machine & Foundry Co.

As the principal manufacturer in the United States of cigarette-making machinery, American Machine & Foundry has benefited from the rapid rise in cigarette consumption which is now at a record high. In addition, it manufactures machines for making cigars, for stemming tobacco leaves, and for packing tobacco products. While the company is still very largely dependent upon the tobacco industry

Earnings Per Share 1934	1933	Div.	Recent Quotation
$1.11	$0.72	$0.80	$23

for its outlets, it has nevertheless made a determined effort to diversify. Its line now includes machines used in the printing, paper and bread-baking industries. Also, it was announced this year that the company had entered the chemical field by the acquisition of a majority interest in a company which holds patents for refining refractory ores by means of a chlorination process. The commercial success of the latter is, of course, yet to be determined.

American Machine & Foundry's income, while showing considerable variation from year to year, nevertheless was much steadier than most enterprises. Peak income was reported for 1930 with earnings the equivalent of $2.83 a common share. This fell to 72 cents a share for 1933, while in 1934 there was a recovery to $1.11 a share. No reports are available for the current year, the company only reporting at the half year.

The company has just retired the last of its funded debt and the preferred stock was redeemed in 1930, so that today the sole capital liability consists of 1,000,000 shares of common stock of no par value. At the end of last year the financial position was unusually strong, current assets totalling $3,733,320, of which some $2,000,000 was in the form of cash or its equivalent, while total current liabilities amounted to $409,757.

Currently the common stock of American Machine & Foundry is on a regular dividend basis of 80 cents annually—at least it seems to be a regular basis for the company has paid 20 cents quarterly since the summer of 1932, although it does not specify the disbursements as "regular". In addition to the usual payments an extra of 20 cents a share was paid at the end of last year. On the basis of 80 cents only, the stock yields about 3½% at current prices of $23 a share.

With a seemingly assured earning power from its regular line of machines, American Machine & Foundry is in an enviable position to slip quietly and sanely into other fields. This it appears to be doing, and while it would be over-optimistic to expect near-term sensational results, the company possesses considerable attraction from the longer range viewpoint.

National Tea Co.

The business of the National Tea Co. expanded markedly during the pre-depression years. From a grocery chain of 261 stores in 1921, the company expanded until it was operating more than 1,600 stores in 1929, the increase being brought about partly by acquisition of existing chains and partly by the company itself opening new units. Like many other enterprises in the same line of business, it was found advisable to close a number of stores in the poor years and concentrate operations in those that were most profitable. Thus, there are currently doing business only some 1,225 stores, of which not far from 400 contain meat markets. National Tea has the greatest concentration of stores in the highly industrialized Chicago area. Another important concentration is found around Minneapolis, while other stores are operated in Iowa, Indiana and the Dakotas. A considerable portion of the bread, coffee, tea and canned goods distributed through National Tea's outlets are the products of its own processing establishments.

For a number of years prior to 1931 the trend of earnings was definitely downwards. This trend, however, was reversed in 1932 when profits equivalent to $1.30 a common share were reported. There was further improve-

Earnings Per Share 1934	1933	Div.	Recent Quotation
$0.62	$1.70	$0.60	$9

ment in 1933 with earnings equivalent to $1.70 a common share, while 1934 saw the company receive a sharp setback with earnings of only 62 cents a share. The latest earnings recession was partly the result of a smaller volume of sales—although the decrease in the number of stores would account for this—but the much more important cause was the increase in costs and expenses which the company was unable to pass along to its customers. In other words, National Tea, like the vast majority of retail merchants, experienced lower profit margins under the influence of rising wholesale prices.

It would appear, however, that conditions since the first of the year had registered some improvement. Sales for the 24 weeks to June 15, last, were nearly 4% better than in the corresponding period of 1934, despite a further decrease of 19 stores. For the 12 weeks to March 23, 1935, the net profit, equal to 15 cents a common share, compared with 10 cents in the corresponding period of 1934.

National Tea is fairly capitalized and in a comfortable financial position. The regular dividend of 60 cents a share annually affords a more than satisfactory yield at the current price of $9 a share in these times of easy money; it seems reasonably safe. For those who wish to speculate in the chain grocery field in the belief that cost conditions shortly will become more nearly normal, National Tea is an issue which might merit attention.

Colgate-Palmolive-Peet Co.

Formed in 1928 as a merger between the Palmolive Co., Colgate & Co. and Peet Brothers Co., Colgate-Palmolive-Peet Co. is the second largest manufacturer of soap in the country. Its

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Taking the Pulse of Business

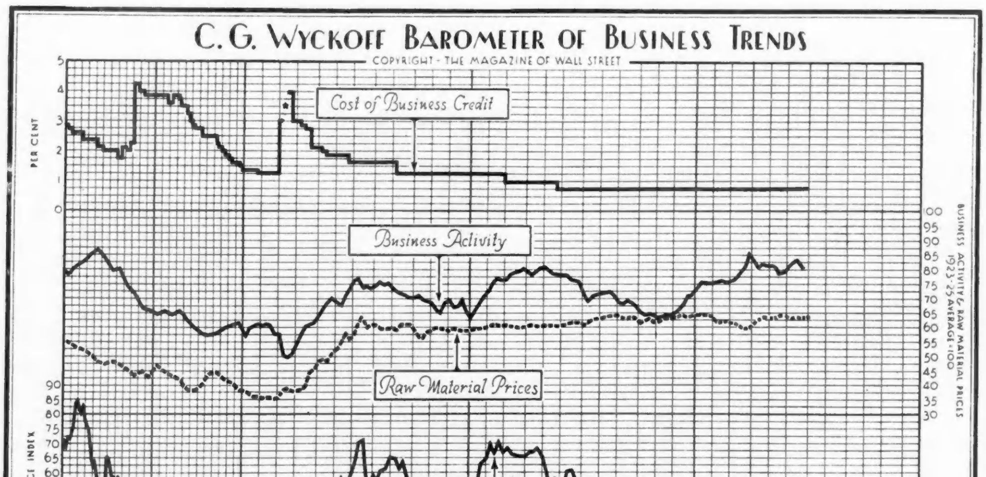
—Steel Output Sags
—Copper Outlook Confused
—Expanding Gasoline Demand
—Threat to Tobacco Exports
—Improved Rail Prospect

CONTINUED expansion in soft coal output during the past fortnight, in anticipation of the labor walk-out which has been postponed to June 30, has again been chiefly responsible for a further advance in Business Activity to above 83% of the 1923-5 average, at which point production throughout the country shows improvement of more than 8% over last year at this time. Since bituminous coal stocks are at present much above normal, a temporary recession of some proportions is likely to take place in our Business Activity index within a few weeks, strike or no strike. However, in spite of the rather adventitious character of the recent rise in our business index, it is encouraging to note that activity among other leading industries which enter into the index has been fairly well sustained during the past two months. Since prices and costs are comparatively stable, it is expected that a number of companies will report fairly gratifying earnings for the second quarter and the half year.

Retail sales throughout the country have fluctuated to some extent with local weather conditions, though farming districts—especially in livestock states—still continue to make the more favorable showing. The two leading mail order houses did considerably more business in May than a year ago, while rural sales as a whole enjoyed a 17% gain over last year. In the New York Metropolitan area, on the other hand, department stores disclosed an increase in dollar sales of only 0.3% during the first half of June. For the country as a whole, department stores reported for May a decrease of 1.2% in dollar sales; but a 1% gain in unit sales compared with the previous year, the discrepancy being attributable to a recession of 3% in average retail prices for dry goods and house furnishings. New life insurance written in May fell 7.5% below last year; but the five-months' total was 2.5% ahead of the corresponding period in 1934.

One of the most encouraging business developments this year has been the noticeable revival in demand for capital goods. According to the Bureau of Labor, residential building permits in May showed an increase of 17.3% over April, and exceeded those of May, 1934, by 130.7%. Life insurance companies and loan associations are displaying an awakened interest in mortgage loans, which are now being made to run for 15 to 20 years at rates generally ranging from 5% to 5½%. A considerable part in opening up the mortgage market is also being played by F H A, which is now receiving applications for mortgages at the rate of a million dollars daily. Fully a third of these are for new construction. One favorable consequence of this revival in residential construction has been a 20% rise this year in consumption of Hudson River brick; though sales are still about 87% beneath the 1926 peak. Machine tool orders in May were 12% ahead of April. New capital raised in May was only 13% below last year, while refunding operations showed the remarkable gain of 230%.

Retail food prices were only fractionally lower during the fortnight ended June 4, and the price war among gro-



cery stores and retail cigarette dealers has about burned out as merchants realize the folly of such tactics. The Department of Agriculture holds out little hope of cheaper meat prices this year, unless the present rumblings of consumer resistance become more effective; yet the fear of more abundant production of other foodstuffs this coming season has caused wholesalers to defer purchases, so that our Raw Material Price index has shown only a faltering recovery, while the Bureau of Labor's index of wholesale prices has lost about a fifth of this year's gain. Our Common Stock Index has turned irregular during the past fortnight under uncertainties created by the Administration's surprise attack upon concentrated wealth and incomes.

The Trend of Major Industries

STEEL—While the industry is trying to decide whether to extend its fair-practice agreements with assistance from the Federal Trade Commission or to submit a voluntary code to President Roosevelt for approval under the new N R A stop-gap legislation large consumers of steel are drawing upon existing stocks and ordering only for immediate needs. At the moment operations are being sustained chiefly by small, miscellaneous demand which, however, is holding up so well that the ingot rate, which has now sagged to 38% of capacity, is holding up much better than expected. In some quarters it is held that maintenance of pre-code wage and employment schedules, which is lawful, of itself constitutes a code of fair practice; since price concessions can not be very extensive so long as labor costs are inflexible. The effect upon the industry of the Wagner Bill's passage is minimized by doubts as to its constitutionality, and the majority of steel producers now have pension plans and so would be exempt from the social security legislation if passed as amended.

METALS—World production of copper decreased 20%, to 99,000 tons in May in consequence of the international curtailment agreement which went into effect on May 1, and world stocks are estimated to have receded 3,500 tons during the month. Another reduction in production, amounting to 10%, went into effect on June 1. Domestic copper producers appear to have abandoned for the present all attempts to find a legal method of restricting production and maintaining prices, and fabricators have been released from their recent agreement to purchase under former code restrictions. The trade would therefore not be surprised to see an early removal of the price peg; since export copper has again dropped to 7½ cents, and domestic prices on nearby futures have broken through the 6½-cent level. In the past fortnight, silver had fallen to around 70 cents on selling by speculators. Other non-ferrous metal prices have held steady.

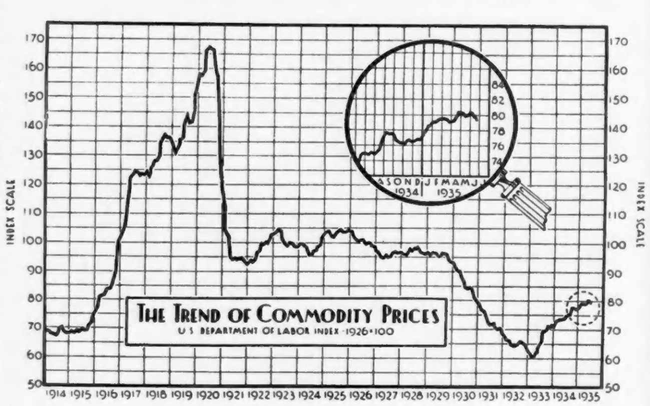
PETROLEUM—Under leadership of California, which is now without restrictions, crude output in all the major producing states has expanded rapidly during the past fortnight, and receipts of crude and refined oils from California at Atlantic and Gulf ports have risen 50%. Consumption of gasoline at this season is expanding at such a satisfactory pace, however, that prices in the Middle West are still holding firm, and actual increases from the former subnormal prices have recently been posted at various points along the Atlantic and the Pacific seaboards in contrast to earlier price fears.

TOBACCO—Production of small cigarettes in May was nearly 5% heavier than a year ago; though the output of large cigarettes fell off sharply. Cigar production increased nearly 6%, snuff declined about 2%, and manufactured tobacco gained about 6%. Eventual loss of the export market for 10% of the entire crop of tobacco in the United States, and for more than 20% of the crop of flue-cured tobacco is threatened to the American farmer by recent proposals of tobacco growers of South Africa who would place America tobacco imports into the United Kingdom on a progressively declining quota basis, and authorize Rhodesia-grown tobacco to be marketed under the name, "Virginia" tobacco. If adopted, these measures would appear to have no easily traceable effects, however, upon the earnings of American manufacturers of tobacco products.

RAILROADS—Contingent upon a heavy movement of grain and some pick-up this autumn in the volume of general freight tonnage, R F C officials have recently hazarded the opinion that, for the first time since the Corporation was formed, the country's railroads may come through the second half of the current year without further new borrowing from the Government.

Conclusion

While business generally has been disposed to follow the advice of N R A officials to "go slow" on adopting new code procedure until legal limitations can be thrashed out, voidance of the old codes by the Supreme Court has thus far resulted in little price shading by leading industries, except for a brief epidemic of warfare among grocery and tobacco dealers which has about run its course. That there have been some wage reductions is evident from reports for May which show a decline from April of only 1.5% in factory employment, but a drop of 3.2% in factory payrolls — the latter covering one week of operations following the decision though the employment figures were gathered earlier. The most encouraging aspect of the present business outlook is a noticeable revival in demand for capital goods.

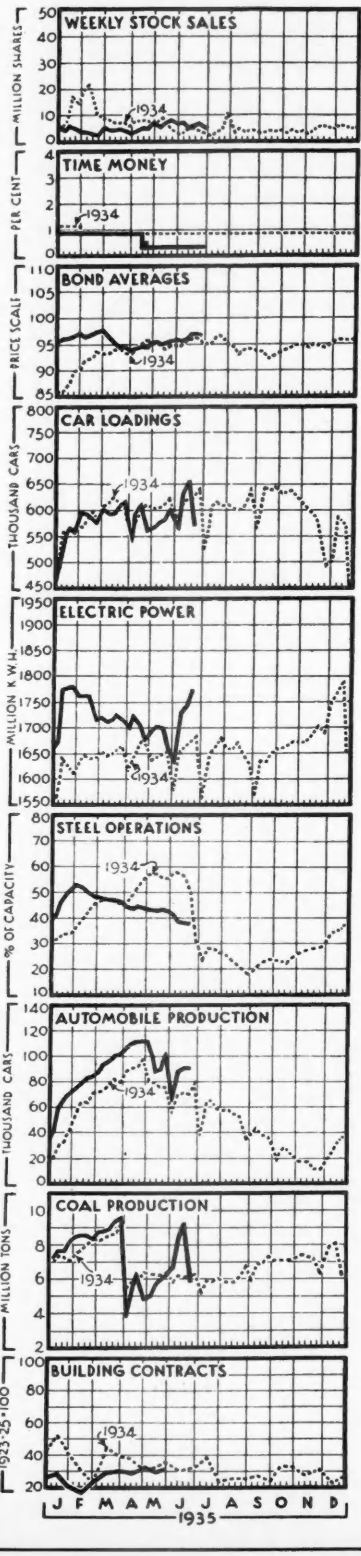


Changes in Major Commodity Price Group for the Fortnight Ended June 22, 1935

Farm Products	down	1.9	Metals	down	0.6
Foods	down	1.2	Building materials	down	0.1
Hides and leather	up	0.2	Chemicals	down	0.7
Textiles	up	0.4	Housefurnishings	down	0.1
Fuel and lighting	no change		Miscellaneous	down	0.5

The Magazine of Wall Street's Indicators

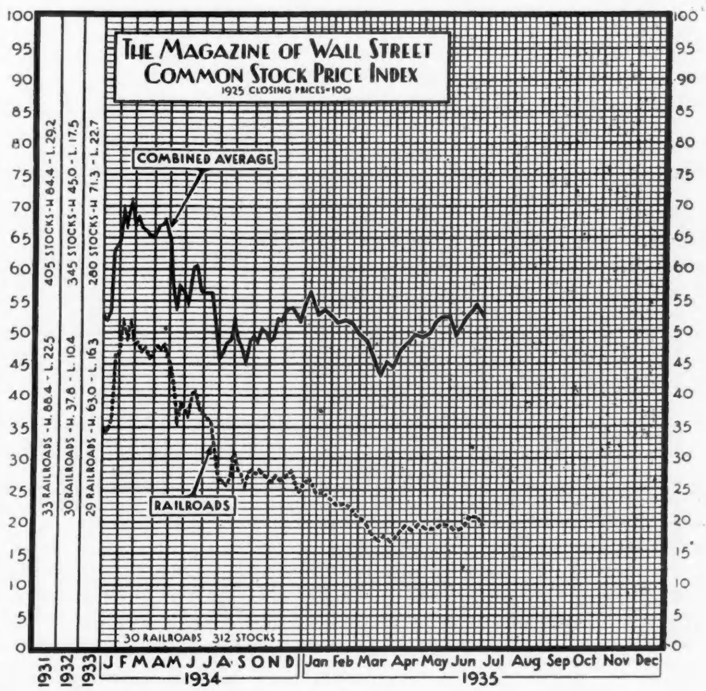
Business Indexes



Common Stock Prices Index

1934 Indexes High	1934 Indexes Low	1934 Indexes Close	Number of Issues	(1925 Close—100)	1935 Indexes High	1935 Indexes Low	Jun. 15	Jun. 22	Jun. 29
71.2	45.0	54.6	288	COMBINED AVERAGE	56.4	43.0	53.1	54.4	52.5
105.7	44.2	87.0	5	Agricultural Implements	88.1	64.1	72.9	71.7	70.4
42.3	20.2	27.1	6	Amusements	27.2	17.8	24.9	27.2h	25.8
58.9	35.2	55.5	13	Automobile Accessories	62.1	44.6	59.8	62.1H	61.1
24.9	11.8	14.2	13	Automobiles	16.8	8.8	9.3	10.0	9.6
92.5	43.6	60.1	5	Aviation (1927 Cl.—100)	60.1	41.3	50.7	52.2	48.4
17.4	8.7	9.2	3	Baking (1926 Cl.—100)	10.2	7.9	10.0	10.2h	10.1
240.9	153.6	191.8	2	Bottles & Cks. (1932—100)	232.9	184.8	232.9h	230.0	227.1
136.0	100.0	131.6	4	Business Machines	137.5	113.7	132.5	135.1	137.5H
229.5	178.9	227.5	2	Cans	295.1	226.1	291.4	295.1H	283.7
210.5	134.3	167.2	8	Chemicals	173.8	144.6	172.8	173.8h	171.5
37.2	22.1	28.8	16	Construction	31.4	22.6	29.4	29.6	28.4
70.1	40.1	43.8	5	Copper	56.0	35.7	51.5	50.5	46.9
37.0	25.7	32.0	2	Dairy Products	33.4	27.5	33.4h	33.2	32.5
26.8	16.4	21.2	8	Department Stores	22.7	16.0	17.3	18.3	18.3
84.2	56.0	73.1	7	Drugs & Toilet Articles	73.1	56.6	58.5	57.8	56.6x
91.3	59.1	78.7	3	Electric Apparatus	102.7	70.1	100.4	102.7h	102.6
211.2	103.8	211.2	2	Finance Companies	249.3	211.2	249.3H	248.8	246.7
64.0	51.1	58.3	7	Food Brands	59.4	51.8	56.6	59.4h	57.0
71.1	55.1	55.7	4	Food Stores	56.4	46.5	51.9	54.1	52.5
58.8	36.2	45.4	3	Furniture & Floor Coverings	45.4	32.1	40.4	42.0	43.3
1372.0	1106.0	1164.9	3	Gold Mining	1209.7	1062.4	1168.4	1145.1	1109.0
35.6	25.1	35.6	5	Household Equipment	38.1	35.3	37.4	38.1	37.8
31.8	19.3	20.8	4	Investment Trusts	23.4	17.0	23.4h	23.4	22.8
295.5	164.0	247.0	3	Liquor (1932 Cl.—100)	273.9	223.6	231.2	221.8	228.0
53.4	34.2	44.2	2	Mail Order	44.8	36.0	43.0	44.8h	43.3
88.6	51.9	62.0	3	Meat Packing	62.2	34.5	40.7	40.2	38.7
160.1	117.4	127.8	11	Metal Mining & Smelting	147.4	109.4	142.6	140.6	138.3
86.8	52.0	58.2	23	Petroleum	70.3	51.3	67.2	67.0	64.8
25.0	15.2	21.0	3	Phonos. & Radio (1927-100)	21.0	15.9	18.7	18.7	18.7
72.8	32.1	34.8	18	Public Utilities	45.1	23.0	37.4	45.1h	41.7
66.2	34.9	43.9	8	Railroad Equipment	43.9	29.3	37.2	37.4	36.6
52.0	24.5	25.8	25	Railroads	26.7	17.5	20.9	20.8	19.5
15.9	6.0	8.8	3	Realty	8.9	5.2	6.7	6.6	6.7
50.2	28.9	41.6	3	Shipbuilding	43.4	28.5	36.2	37.0	37.2
77.0	42.0	54.4	10	Steel & Iron	57.4	37.6	46.0	45.1	45.5
31.3	20.4	22.2	5	Sugar	30.4	21.1	29.1	28.4	27.9
214.0	131.5	143.2	2	Sulphur	150.3	122.5	147.0	143.0	140.3
70.3	40.2	45.2	3	Telephone & Telegraph	51.4	34.2	48.3	51.4h	49.8
65.8	37.5	47.8	8	Textiles	50.4	34.7	43.0	43.2	42.5
14.6	7.6	9.0	5	Tires & Rubber	9.3	6.0	6.9	7.2	7.1
88.6	66.5	84.7	4	Tobacco	90.2	77.2	89.5	90.2h	88.4
73.5	43.5	65.0	3	Traction	66.8	51.0	59.8	58.8	57.9
275.5	43.6	258.2	3	Variety Stores	271.4	219.7	264.4	271.4h	263.7

H—New HIGH record since 1931. h—New HIGH this year. x—New LOW this year.



(An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

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The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

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CONTINENTAL OIL CO.

I had thought of buying Continental Oil at around 17, but it got away from me. I have recently been told this stock still offers attractiveness, and I would like to have your opinion before acting.—P. E. R., Knoxville, Tenn.

In 1934 Continental Oil Co. enjoyed its best operating profit since 1929. Even though operating costs were 18.05% higher, the gross was 25.57% over 1933 which enabled the company to report a net income of $4,755,608, equal to $1.02 a share for the outstanding capital stock, against a net income of only $872,692 or 18 cents per capital stock share in 1933. Financially the company is strongly entrenched in the industry and at the year end reported total current assets, including over $6,250,000 in cash and government securities of $31,466,726 whereas current liabilities were only $6,076,387. True, for the first quarter of the current year, earnings were equal to but 20 cents a share as against 26 cents for the first three months of 1934, but this was due primarily to the renewed price unsettlement in the refined petroleum markets. In this connection, however, it is well to bear in mind that the new Federal Oil Control Law has materially improved conditions in the trade. Favorable results from this legislation should show themselves in the second quarter and for the remainder of the year. An extensive development program which was started in 1929 has now virtually been completed, as a result of which costs have been reduced, and the company's position has been decidedly strengthened. Then, too, the drastic write-down of property valuation and the elimination of funded debt has not only lowered depreciation charges, but also eliminated bond interest. Currently running into its best earnings season of the year and with large reserves of crude oil on hand, we feel that the shares, at current levels, might well be made a part of your portfolio. This opinion is from the long-pull as well as from the medium-term standpoint, as in our opinion, this company may be expected to benefit fully from any future permanent degree of prosperity affecting the oil industry as a whole.

BORDEN CO.

I understand there are unsettling factors in the outlook for the dairy industry. These have not yet been reflected in the recent action of my Borden stock. I could get out of this stock even now, but, I would like to be guided by the real facts. —W. M. S., Baltimore, Md.

As the second largest organization in the dairy products industry, operations of Borden Co. during recent years have reflected the difficulties with which the entire industry has had to cope due principally to excessive supplies of fluid milk and the consequent unsatisfactory price structure. Last year, the wide-spread drought brought about a shortage of forage and a small reduction in herds which gave promise and did improve the technical position of the industry. Nevertheless, unless there is continued expansion in fluid milk consumption during the current and subsequent years, better pasturage might easily lead to an over-supply situation which could not but result in heavy losses to the industry. Probably the industry's chief hope lies in the continued expansion of public purchasing power and the consequent rise in consumption of not only fluid milk, but also of its by-products—ice cream, butter and cheese. Along this line, improved general business conditions last year resulted in a 16% increase in dollar sales of Borden and a tonnage gain of approximately 8%. With the exception of fluid milk, in which division faulty control laws and lack of enforcement led to market confusion, all of the company's lines contributed to these gains. Financially, the company is in excellent shape and with some earnings improvement probable this year, the company should have no difficulty in maintaining the present annual $1.60 dividend on its capital stock, even though not fully covered. It is probably due in no small measure to this that the stock continues to act relatively well marketwise, and also in recognition of the fact that increased consumption of dairy products and a better price situation should go hand-

(Please turn to page 318)

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Dividends and Interest

WILSON & CO., INC.

Preferred and Common Stock Dividends

The Board of Directors of Wilson & Co., Inc., meat packers, a Delaware corporation, has declared a dividend of One Dollar and Fifty Cents ($1.50) per share on its 6% Preferred Stock for the period from May 1, 1935, to July 31, 1935, payable August 1, 1935, to holders of record at the close of business July 15, 1935. At the same meeting the Directors also declared a dividend of Twelve and One-Half Cents (12½c) per share on its Common Stock, payable September 1, 1935, to holders of record at the close of business August 15, 1935. Checks will be mailed.
Dated: Chicago, June 25, 1935.

GEO. D. HOPKINS,
Secretary.

ALLIED CHEMICAL & DYE CORPORATION
61 Broadway, New York

June 25, 1935.

Allied Chemical & Dye Corporation has declared quarterly dividend No. 58 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable August 1, 1935, to common stockholders of record at the close of business July 11, 1935.

W. C. KING, Secretary.

THE CUDAHY PACKING COMPANY

Chicago, Ill., June 20, 1935.

The Board of Directors has this day declared a quarterly dividend of sixty-two and one-half cents (62½c) per share on the outstanding Common Stock of the Company ($50.00 par value), payable July 15, 1935 to stock of record July 5, 1935.

A. W. ANDERSON, Secretary.

NEWMONT MINING CORPORATION
DIVIDEND NO. 28

A dividend of fifty cents per share has been declared on the stock of this corporation, payable August 15, 1935, to stockholders of record at the close of business August 2, 1935.

H. E. DODGE, Secretary.
June 18, 1935.

New York Stock Exchange

Rails

	1933 High	1933 Low	1934 High	1934 Low	1935 High	1935 Low	Last Sale 6/26/35	Div'd $ Per Share
A								
Atchison	80⅛	34⅝	73¾	45¼	55⅝	35¾	47	‡2
Atlantic Coast Line	59	16½	54¼	24½	37¼	19½	22⅝	..
B								
Baltimore & Ohio	37⅞	8¼	34½	12¾	15	7½	11¼	..
Bangor & Aroostook	41¾	20	46⅛	35½	44⅞	36⅛	43¾	2.50
Brooklyn-Manhattan Transit	41¼	21¾	44⅞	28¼	44⅛	36½	40¼	3
C								
Canadian Pacific	20⅞	7½	18¼	10⅞	13¾	9⅜	10¼	..
Chesapeake & Ohio	49¼	24⅝	48⅝	39½	44⅞	36	41	3
C. M. & St. Paul & Pacific	11¾	1	8½	2	3	¼	⅞	..
Chicago & Northwestern	16	1¼	15	3½	5⅝	2¼	2½	..
Chicago, Rock Is. & Pacific	10⅛	2	6¼	1⅜	2⅝	1	1	..
D								
Delaware & Hudson	93¾	37⅝	73½	35	43½	23½	30¼	..
Delaware, Lack. & Western	46	17¼	33¾	14	19⅛	11	14⅞	..
E								
Erie R. R.	25¾	3¾	24⅞	9⅜	14	7⅛	8⅝	..
G								
Great Northern Pfd.	33¾	4⅝	32½	12¼	21⅝	9⅝	20	..
H								
Hudson & Manhattan	19	6½	12⅛	4	5½	2¾	3	..
I								
Illinois Central	50¾	8½	38⅞	13⅝	17¼	9½	14	..
Interborough Rapid Transit	13¾	4⅛	17½	5¼	16⅛	8¾	12⅝	..
K								
Kansas City Southern	24⅞	6½	19¾	6⅝	8¾	3¾	6¼	..
L								
Lehigh Valley	27¾	8⅝	21¼	9½	11½	5	7⅜	..
Louisville & Nashville	67½	21¼	62½	37¾	47½	34	41⅞	3
M								
Mo., Kansas & Texas	17⅛	5¾	14⅞	4⅜	6¼	2⅝	3	..
Missouri Pacific	10¼	1⅛	6	1½	3	1¼	1¼	..
N								
New York Central	58½	14	45¼	18⅜	21¾	12¼	17	..
N. Y., N. H. & Hartford	34⅞	11⅛	24⅛	6	8½	2⅞	4¼	..
N. Y., Ontario & Western	15	7½	11⅝	4½	6	2⅝	3⅜	..
Norfolk & Western	177	111½	187	161	175	158	175	*8
Northern Pacific	34⅞	9⅝	36¼	14½	21⅞	13⅛	19½	..
P								
Pennsylvania	42¼	13¾	39⅛	20⅛	25⅜	17¼	23	1
Pere Marquette	37	13⅞	38	12	18⅝	9¼	12	..
Pittsburgh & W. Va.	35¾	6½	27	10	10⅞	6⅞	10	..
R								
Reading	62½	23½	56⅜	35⅛	43⅛	29⅞	33½	2
S								
Southern Pacific	38¾	11⅛	33¾	14⅞	19⅞	12¼	18⅛	..
Southern Railway	36	4⅛	36½	11½	16½	7⅝	9⅞	..
U								
Union Pacific	132	61¼	133⅞	90	111½	82½	104	6
W								
Western Maryland	16	4	17¼	7⅛	9⅞	5½	7⅜	..

Industrials and Miscellaneous

	1933 High	1933 Low	1934 High	1934 Low	1935 High	1935 Low	Last Sale 6/26/35	Div'd $ Per Share
A								
Adams-Millis Corp	80	60	103½	73	33½	28	30½	2
Air Reduction, Inc	112	47½	113	91¾	145⅛	104⅜	141¾	*3
Alaska Juneau	33	11⅛	23⅞	16⅝	20⅛	15⅝	16½	*.60
Allied Chemical & Dye	152	70¾	160¾	115⅛	154¾	125	152	6
Allis Chalmers Mfg	26¾	6	23⅜	10⅜	22¾	12	21⅞	..
Alpha Portland Cement	24	5¾	20⅛	11½	20¼	14	17⅜	1
Amerada Corp	47⅝	18½	55⅝	39	70¾	48½	68	2
Amer. Agric. Chemical (Del.)	35	7¼	48	25¼	57¾	41½	47	2
American Bank Note	28½	8	25¼	11½	27¾	13½	25	..
Amer. Brake Shoe & Fdy	42½	9⅛	38	19½	32⅞	21	31	1
American Can	100½	49½	114¾	90¼	144	110	136½	*4
Amer. Car & Fdy	39¾	6⅛	33⅞	12	20¼	10	16⅛	..
American Chicle	51¼	34	70⅝	46¼	96	66	92	*3
American & Foreign Power	19⅝	3⅞	13¾	3⅞	5⅛	2	4⅛	..
Amer. International Corp	15⅛	4¼	11	4¾	7½	4½	7	..
Amer. Power & Light	19⅞	4	12¼	3	4⅜	1½	3⅝	..
Amer. Radiator & S. S.	19	4⅝	17⅝	10	16⅛	10½	14⅜	..
Amer. Rolling Mill	31⅞	5¾	28¼	13½	24	15¾	18¾	..
Amer. Smelting & Refining	53½	10¾	51¼	30¼	47⅛	31⅝	41⅜	..
Amer. Steel Foundries	27	4⅝	26½	10⅛	18¼	12	15½	..
Amer. Sugar Refining	74	21½	72	46	70½	55½	58½	2
Amer. Tel. & Tel.	134¾	86½	125¼	100⅛	130¼	98⅞	124	9
Amer. Tob. B	94¾	50¾	89	67	93¾	74¾	90⅝	5
Amer. Water Works & Elec.	43¼	10⅞	27⅝	12⅝	14⅞	7⅛	12¾	.80
Amer. Woolen Pfd.	67½	22⅝	83¾	36	51½	35½	43	..
Anaconda Copper Mining	22⅞	5	17¾	10	18⅛	8	14⅜	..
Armour Co. of Ill.	....	....	6¾	3½	6⅛	3¼	3⅞	..
Atlantic Refining	32½	12⅜	35¼	21½	28	21⅜	26¼	1
Auburn Auto	84¼	31	57⅜	16½	29¾	15	21	..
Aviation Corp. Del.	16⅜	5½	10¾	3¾	5⅝	3	3⅜	..
B								
Baldwin Loco. Works	17⅝	3½	16	4½	6⅝	1½	2⅜	..
Bayuk Cigar	52½	3¼	45¾	23	50⅜	37½	46½	*.50
Beatrice Creamery	27	7	19¾	10¼	19	15¾	16¼	‡.50

Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1933 High	1933 Low	1934 High	1934 Low	1935 High	1935 Low	Last Sale 6/26/35	Div'd $ Per Share
B								
Beech-Nut Packing	70½	45	76⅝	58	90	72	90	*3
Bendix Aviation	21¼	6⅛	23⅞	9¾	17½	11⅞	14½	..
Best & Co.	33⅛	9	40	26	40½	34	39⅞	2
Bethlehem Steel Corp	49¼	10⅛	49½	24⅛	34⅜	21⅝	26⅜	..
Bohn Aluminum	58½	9½	68¾	44½	59⅞	48	48	3
Borden Company	37⅜	18	28¼	19⅞	25¾	21	24⅝	1.60
Borg Warner	22¼	5½	31⅜	16⅛	40⅞	28¼	38⅜	1.50
Briggs Mfg.	14⅝	2⅝	28⅜	12	33⅜	24½	32⅜	2
Bristol-Meyers	40½	25	37½	26	36¼	30⅜	32⅛	*2
Burroughs Adding Machine	20⅞	6⅛	19⅜	10½	17⅜	13¼	16⅝	.60
Byers & Co. (A. M.)	43¼	8½	32¾	13¾	20⅝	11⅜	14¾	..
C								
California Packing	34¾	7¾	44⅜	18¾	42½	33⅜	34	1.50
Canada Dry Ginger Ale	41¼	7½	29½	12½	16⅝	8¾	10¼	.40
Case, J. I.	103½	30½	86¾	35	63	45¾	54⅜	..
Caterpillar Tractor	29¾	5½	38¾	23	49⅞	36½	48	*1
Celanese Corp	58⅞	4½	44⅞	17⅛	35⅜	19½	25½	..
Cerro de Pasco Copper	44¾	5⅞	44½	30¼	63¾	38⅝	54	2
Chesapeake Corp	52½	14⅞	48⅞	34	44⅞	36	41	3
Chrysler Corp	57⅝	7¾	60⅜	29¼	50¾	31	48⅛	*1
Coca-Cola Co	105	73½	161½	95¼	222	161⅞	219⅞	8
Colgate-Palmolive-Peet	22⅜	7	18⅛	9⅜	18¼	15⅛	16⅞	.50
Columbian Carbon	71¼	23⅛	77¼	58	93	67	87	4
Colum. Gas & Elec.	28⅛	9	19¼	6⅝	8	3⅜	7⅛	..
Commercial Credit	19¼	4	40¼	18⅝	48½	39½	47	2
Comm. Inv. Trust	43½	18	61	35¾	68¼	56¼	66½	*2
Commercial Solvents	57¼	9	36¾	15¾	23⅞	17⅝	19	*.60
Congoleum-Nairn	27⅝	7⅜	35⅜	22	36¾	27	36⅛	1.60
Consolidated Gas of N. Y.	64⅛	34	47⅜	18½	27	15⅞	25¼	1
Consol. Oil	15¾	5	14¼	7¼	10½	6½	8½	..
Container Corp. "A"	10¼	1⅛	13¾	6⅛	13⅝	8¾	10⅛	..
Continental Can, Inc.	78⅜	35¼	64½	56¾	85½	62¾	81	2.40
Continental Insurance	36½	10½	36¼	23⅜	37½	28⅞	37	*1.20
Continental Oil	19⅝	4⅞	22¾	15¾	23	15⅛	21¼	‡37½
Corn Products Refining	90⅝	45⅜	84½	55½	76¾	62	74⅛	3
Crown Cork & Seal	65	14¼	36¼	18¾	33⅞	23½	30½	1
Cudahy Packing	59½	20¾	52⅝	37	47½	40	42	2½
Cutler-Hammer, Inc.	21	4¼	21½	11	22	16	20¾	..
D								
Deere & Co.	49	5¾	34⅛	10⅛	31	22¾	27⅛	..
Diamond Match	29½	17½	28½	21	32¾	26½	32	*1
Dome Mines	39½	12	46¼	32	43½	34⅛	42¼	*2
Douglas Aircraft	18¼	10¼	28½	14¼	27¾	17½	24⅜	..
Du Pont de Nemours	96⅜	32⅛	103⅞	80	105⅛	86⅝	100¼	2.60
E								
Eastman Kodak Co	89¾	46	116½	79	149½	110½	145	5
Electric Auto Lite	27½	10	31⅜	15	29	19⅜	21½	..
Elec. Power & Light	15⅜	3⅛	9⅝	2¼	3½	1⅛	3	..
Electric Storage Battery	54	21	52	34	49½	39	43⅛	2¼
Endicott Johnson Corp	62⅞	26	63	45	65¼	52¾	63	3
F								
Fairbanks, Morse & Co.	11¼	2½	18¾	7	25⅜	17	20½	..
Firestone Tire & Rubber	31½	9⅛	25¼	13⅛	18⅛	13⅛	15	.40
First National Stores	70¾	43	69¼	53	57¼	45¾	54¾	2½
Foster Wheeler Corp	23	4½	22	8½	17½	9⅞	13	..
Fox Film. Cl. A	19	12	17½	8¼	16⅜	8⅝	14⅝	..
Freeport Texas Co	49⅜	16⅛	50⅜	21½	28½	17¼	25	1
G								
General Amer. Transpt	43¼	13¾	43⅝	30	38⅞	32⅝	38⅛	1¾
General Baking	20⅞	10½	14⅜	6½	9¼	7⅜	8¾	.60
General Electric	30¼	10½	25¼	16⅞	27⅛	20½	26⅛	.60
General Foods	39⅞	21	36⅞	28	37½	32¼	36¾	1.80
General Mills	71	35½	64½	51	70	59⅞	69	3
General Motors Corp	35¾	10	42	24⅝	34¼	26⅝	32⅜	1
General Railway Signal	49½	13¼	45¾	23½	30	15⅝	28¼	1
General Refractories	19¾	2½	23⅜	10⅛	21¼	16¾	19	..
Gillette Safety Razor	20¼	7⅝	14⅞	8½	16⅝	12	15	1
Glidden & Co.	20	3¾	28⅜	15⅝	32	23⅜	30	*1
Gold Dust Corp	27⅜	12	23	16	18	14⅜	17	1.20
Goodrich Co. (B. F.)	21½	3	18	8	11⅞	7½	8¼	..
Goodyear Tire & Rubber	47½	9¼	41⅜	18½	26⅞	15¾	18	..
Great Western Sugar	41⅞	7	35¼	25	32⅜	26⅝	29⅛	2.40
H								
Hercules Powder Co	68⅝	15	81⅝	59	85¼	71	82½	*3
Homestake Mining	373	145	430⅛	310	412	338	409	*12
Hudson Motor Car	16⅜	3	24½	6⅛	12¾	6¼	7¾	..
Hupp Motor Car	7¾	1⅝	7¼	1⅞	3⅞	¾	1⅜	..
I								
Industrial Rayon	....	....	32¼	19⅜	33	23½	28	1.68
Ingersoll-Rand	78	19⅛	73¾	49½	95	60½	90¼	2
Inter. Business Machines	153¼	75¾	164	131	184½	149¼	178	*6
Inter. Cement	40	6⅛	37¾	18⅜	33	22⅞	30¼	1
Inter. Harvester	46	13⅝	46⅞	23¼	46¼	34⅛	44¾	.60
Inter. Nickel	23¼	6¾	29¼	21	29⅜	22¼	27⅝	.60
Inter. Tel. & Tel.	21¾	5⅛	17¾	7½	10⅜	5⅝	9⅞	..
J								
Jewel Tea Co., Inc.	45	23	57½	33	60	49	60	3
Johns-Manville	63½	12¼	66⅜	39	57⅜	38½	51	.25
K								
Kelvinator	15⅝	3⅛	21¼	11⅝	18¼	12¾	14⅛	*.50
Kennecott Copper	26	7⅜	23⅛	16	21¼	13¾	17⅝	.60
Kroger Grocery & Baking	35⅝	14½	33⅝	23¼	29	22¼	28⅜	1.60
L								
Lambert Co	41⅛	19⅜	31¾	22¼	28½	24	27⅛	3
Lehman Corp	79⅜	37½	78	68¼	80½	67⅛	80	*2.40
Libbey-Owens-Ford	37⅜	4¾	43⅞	22½	32¾	21½	30	1.20
Liggett & Myers Tob. B	99⅜	49¼	111¼	74½	113½	93¾	110	*4
Loew's, Inc.	36½	8½	37	20⅜	42¼	31¼	40⅝	2
Loose-Wiles Biscuit	44¾	19¼	44¾	33¼	41¼	33	41	2
Lorillard	25¼	10⅜	22½	15¾	22	18½	20¾	*1.20
M								
Mack Truck, Inc.	46⅜	13½	41¾	22	28⅛	18⅝	20⅛	1
Macy (R. H.)	65¾	24¼	62⅛	35¼	44¼	30½	42	2

A Message to Presidents:

Create investor confidence in your securities by publishing your dividend notices, when declared, in these columns. Such publication brings the investment features of your stock to the attention of stockholders of record who read The Magazine of Wall Street consistently for financial guidance.

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1933		1934		1935		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	6/26/35	Share
M								
Mathieson Alkali	46⅝	14	40¾	23½	32	23¾	30	1.50
May Dept. Stores	33	9¾	45¾	30	44¾	35⅞	42	1.60
McIntyre, Porcupine	48⅜	18	50½	30½	45⅝	36⅝	41½	2
McKeesport Tin Plate	95¾	44⅛	95⅛	79	116½	90½	114½	4
Mesta Machine Co	21	7	34¾	20⅛	32	24⅛	30	1.50
Monsanto Chemical	83	25	96½	39	77½	55	73	1
Mont. Ward & Co	28⅞	8⅝	35⅝	20	30½	21¾	27½	..
N								
Nash Motor Co	27	11⅛	32¼	12⅝	19½	11	13¼	1
National Biscuit	60⅝	31½	49½	25⅞	31¼	22¼	29¾	1.60
National Cash Register	23⅝	5⅛	23⅝	12	18⅜	13½	17½	.50
National Dairy Prod	25¾	10½	18¾	13	17⅛	12⅞	16⅝	1.20
National Distillers	35¼	20⅞	31⅝	16	29¼	23⅛	25⅛	2
National Lead Co.	140	43¼	170	135	175¼	145	171	5
National Power & Light	20½	6⅞	15½	6⅝	9¾	4⅞	8⅝	.80
National Steel	55⅛	15	58¼	34½	50⅞	40⅜	48	*1
N. Y. Air Brake	23½	6⅛	28¾	11½	28¼	18½	25¾	..
Noranda Mines	38⅞	17⅜	45⅞	30¼	43	30¾	34¾	2
North American Co	36½	12½	25¼	10¼	18⅜	9	16⅞	..
O								
Otis Elevator	25¼	10⅛	19⅜	12½	20⅝	11⅛	18⅛	.60
Owens Ill. Glass	96¾	31½	94	60	104	80	99½	4
P								
Pacific Gas & Electric	31⅞	15	23½	12⅜	25¾	13⅛	24⅝	1.50
Pacific Lighting	43⅜	22	37	20¾	36⅝	19	35⅛	2.40
Packard Motor Car	6⅞	1¾	6⅝	2¾	5⅞	3½	4	..
Paramount Publix	2½	⅛	5⅞	1¾	4⅝	2¼	4⅛	..
Penney (J. C.)	56	19¼	74¼	51½	76½	57¼	74½	2
Penick & Ford	60¾	25½	67	44⅝	80	64½	79¼	3
Phelps Dodge Corp	18⅞	4½	18⅞	13¼	20⅜	12¾	16⅝	‡.25
Phillips Petroleum	18¾	4¾	20¾	13⅜	23	13¾	21½	1
Pillsbury Flour Mills	22½	9½	34¾	18½	35	31	34¾	1.60
Procter & Gamble	47½	19⅝	44⅜	33⅛	50⅞	42⅜	49½	1.50
Public Service of N. J.	57⅛	32⅝	45	25	39¾	20⅜	37	2.40
Pullman, Inc.	58⅛	18	59⅜	35¼	52⅞	34	41	3
R								
Radio Corp. of America	12¼	3	9⅛	4½	6¾	4	6½	..
Radio-Keith-Orpheum	5¾	1	4¼	1½	2⅝	1¼	2⅛	..
Raybestos-Manhattan	20⅝	5	23	14½	21	16½	18¼	1
Remington Rand	11¼	2½	13⅜	6	11¼	7	8⅞	..
Republic Steel	23	4	25¾	10½	15½	9	13	..
Reynolds (R. J.) Tob. Cl. B	54¼	26½	53¾	39¾	52	43⅛	50⅜	3
S								
Safeway Stores	62⅜	28	57	38¼	46	36¾	39	3
Schenley Distillers	47	22	38⅞	17⅛	28½	22	27¼	..
Sears, Roebuck & Co	47	12½	51¼	31	43⅝	31	42⅜	‡75
Servel, Inc	7½	1½	9	4⅜	10⅛	7⅝	9¾	..
Shattuck (F. G.)	13¼	5¾	13⅞	6¾	9¼	7¼	7½	.25
Shell Union Oil	11⅝	4	11½	6	11½	5½	10¼	..
Socony-Vacuum Corp	17	6	19⅞	12½	15¾	11	13	.60
So. Cal. Edison	28	14⅛	22⅛	10⅛	20⅝	10⅝	19¼	1½
Spiegel May Stern Co	21½	1	76¾	64	79½	43⅞	59½	..
Standard Brands	37⅝	13¾	25¼	17¼	19⅛	13⅝	15½	1
Standard Oil of Calif	45	19½	42⅞	26½	38⅞	27¾	34⅛	1
Standard Oil of Ind	....	....	32¾	23¼	27¼	23	25½	1
Standard Oil of N. J.	47½	22¾	50⅛	39¼	50½	35¾	47	*1
Sterling Products	63	45¾	66½	47¼	67	58¾	63	3.80
Stewart-Warner	11½	2½	10⅝	4½	10¼	6⅝	10	..
Stone & Webster	19¼	5½	13¼	3⅞	6⅜	2½	5½	..
Sun Oil Co.	59	35	74¼	51½	75½	60½	74	*1
T								
Texas Corp	30⅛	10¾	29⅜	19⅝	23¾	16½	20⅛	1
Texas Gulf Sulphur	45¼	15¼	43¼	30	36¾	28¾	33⅜	2
Tide Water Assoc. Oil	11¾	3⅛	14⅜	8	12	7⅝	10¼	..
Timken Roller Bearing	35½	13¾	41	24	40⅞	28⅜	38¼	*1
Trico Products	38⅞	20⅛	42½	33	42½	36	37¾	2½
Tri-Continental Corp	8¾	2¾	6¾	3	4¼	1⅞	4¼	..
U								
Underwood-Elliott-Fisher	39½	9¼	58⅞	36	69¼	53¾	67¾	2
Union Carbide & Carbon	51⅞	19¾	50⅞	35⅞	63¼	44	60¾	1.60
Union Oil of Cal	23⅜	8½	20½	11½	20⅛	14¾	17½	1
United Aircraft	....	....	15¼	8⅛	15⅛	9⅞	13¾	..
United Carbon	38	10¼	50⅜	35	60¾	46	57½	2.40
United Corp	14½	4	8⅞	2⅛	4¼	1½	3½	..
United Corp. Pfd	40⅞	22⅛	37⅞	21¼	39½	20¾	36¼	3
United Fruit	68	23¼	77	59	92¾	71⅝	86¼	3
United Gas Imp	25	13⅞	20⅛	11½	15⅛	9¼	14⅜	1
U. S. Gypsum Co	53½	18	51¼	34¼	59½	40½	56½	1
U. S. Industrial Alcohol	94	13½	64¾	32	46¼	35⅛	42	2
U. S. Pipe & Fdy	22⅛	6⅛	33	15½	22	14¾	19	.50
U. S. Rubber	25	2⅞	24	11	17¼	9⅛	12½	..
U. S. Smelting, Ref. & Mining	105⅝	13½	141	96⅝	124½	95	107	‡6
U. S. Steel Corp.	67½	23⅜	59⅞	29⅜	40⅛	27½	33	..
U. S. Steel Pfd	105½	53	99½	67¼	94	73⅝	87½	2
V								
Vanadium Corp	36¼	7⅝	31¾	14	21¾	11¼	13¼	..
W								
Warner Brothers Pictures	9⅛	1	8¼	2¾	4⅝	2¼	4	..
Western Union Tel	77¼	17¼	66⅞	29½	35⅝	20⅝	33⅜	..
Westinghouse Air Brake	35⅝	11¾	36	15⅞	27	18	24¾	.50
Westinghouse Elec. & Mfg	58¾	19⅜	47¼	27⅞	53½	32⅝	50⅝	..
Woolworth Co. (F. W.)	50⅞	25⅛	55¼	41¼	65¼	51	62	2.40
Wrigley (Wm., Jr.)	57¼	34½	76	54½	82¾	73¾	80	*3

* Including extra. ‡ Paid this year.

What Industries for Investment?

(Continued from page 296)

products and the possibilities in this same direction are practically unlimited. Labor costs are not of prime concern to the chemical industry and by virtue of its wide diversity of products it must inevitably share in the fortunes of practically every other industry in the country. This combination of favorable circumstances is reflected in the generous market appraisal which is accorded the shares of the leading chemical companies but with a fuller measure of recovery, it is not inconceivable that many of these same issues which appear high on earnings today may be worth considerably more several years hence. In the meantime there are several lower priced chemical issues which would commend their choice for speculative commitments.

Chemical Stocks for Income and Profit

	Recent Price	Dividend	Current Yield %
American Cyanamid "B"	22	0.40	1.8
Commercial Solvents	19	0.85	4.5
Hercules Powder	82	3.75	4.5
Mathieson Alkali	30	1.50	5.0
Texas Gulf Sulphur	34	2.00	5.8

In the amusement industry, or at least that division of it concerned with the production of motion pictures, there is evidence that it has completed its transition from over-expansion and depression and is once more building up the earning power which the popularity of its products should produce. Reorganizations, both corporate and internal, have accomplished much in relieving the leading producers of "deadwood" in the shape of high-priced talent, costly theater properties and burdensome capitalizations. Attention is being given to the production of better feature releases and some companies which have long been amiss in this department have found out that the best pictures are the most profitable. The ability of Loew's and Columbia Pictures in this respect, combined with their freedom from costly theater leases, has enabled these two companies to show a highly successful record of operations. Ordinarily, the summer months are dull in the industry, but reduced admission prices and air-cooled theaters have accomplished much in taking up this seasonal slack. Selected issues in the motion picture industry acquired at this time have good prospects of later profit when public interest in the industry revives in the fall and winter.

Moving Picture Stocks for Income and Profit

	Recent Price	Dividend	Current Yield %
Columbia Pictures	65	1.00	1.5
Loew's, Inc	41	2.00	5.0

As a speculative vehicle of the more radical type Fox Film "A" is worthy of consideration. Since reorganization this company has been making marked progress and the contemplated merger with Twentieth Century Pictures will enhance the company's producing facilities.

Investors continue to look upon the liquor industry with a skeptical eye. Despite the increasing evidence that the leading companies are daily strengthening their position at the expense of the many smaller competitors which entered the field at the outset of Repeal, the shares of these companies continue to sell at a low ratio to earnings. Such uncertainties as the possibility of reduced import taxes, Government regulation, bootlegging, and lower prices tend to discourage investment and speculative interest in the liquor stocks. At prevailing quotations, the shares of the leading producers, however, would appear to have gone a considerable distance in discounting the contingencies in the outlook, and in the meantime, current volume of business is ahead of last year. All in all it would seem that the liquor stocks at this time offer an opportunity to acquire a stake in good earning power, both potential and current, at an attractive discount.

Leading Liquor Stocks

	Recent Price	Dividend	Current Yield %
Distillers Corp.-Seagrams	19	None	...
National Distillers	26	2.00	7.8
Schenley Distillers	30	None	...

Whether the investor is seeking something better than the prevailing rate of return on his funds or whether he is interested solely in price appreciation, some of the most attractive opportunities are to be found in public utility securities. As is well known, the entire public utility list has been severely depressed by the uncertainties of the Federal legislative prospect. The Wheeler-Rayburn Bill, with its drastic provisions for the dissolution of public utility holding companies, came in the wake of increased taxation, higher labor and material costs and reduced rates, and succeeded in all but completely demoralizing the market for public utility securities—those of holding and operating companies alike. At this writing, although the Senate by a close vote passed the Wheeler-Rayburn Bill practically in its original form, it is almost certain to be modified in the House and the Senate will doubtless pass the bill in its revised form, which will in all probability omit the "death sentence" penalty for utility holding companies. Even should the bill be passed in its present form, holding companies will have at least five years in which to adjust their affairs and much can happen in that period. Further, the present bill would undoubtedly stir up a bitter controversy ending in a test before the United States Supreme Court. Even now grave doubts are concerned as to its Constitutionality.

Likewise, it is more than likely that the industry has seen the worst of the political agitation for lower rates and the demise of N R A should permit the industry to make a more equitable adjustment of its labor costs. Industrially, the utilities are unusually favored. Power consumption has gained in every successive week this year and promises for the full year to equal or exceed the 1929 and 1930 record levels. Moreover, increases over last year have been shown in every major geographical region and by all the principal types of consumers. With this background, clarification of the legislative prospect would undoubtedly find dynamic response in the market for public utility securities—bonds, preferred stocks and common stocks. Although it is to be conceded that such issues might not be desirable holdings in the event of inflation, any more than would be true of railroad securities, there is sufficient promise in them to warrant their purchase and retention over the next several months, subject to such revisions as may become necessary by later developments.

Public Utility Bonds for Income

Holding Companies

	Recent Price	Current Yield %
Amer. & For. Pwr. Deb. 5's, 2030	69	7.2
Amer. Water Wks. & Elec. Deb. 6's, 1975	88	6.8
Columbia Gas & Elec. Deb. 5's, 1952	90	5.5
Delaware Elec. Pwr. Deb. 5½'s, 1959	101	5.4
National Pwr. & Lgt. Deb. 6's, 2026	97	6.2
Penn-Ohio Edison Deb. 5½'s, 1959	94	5.8
West Penn Elec. Deb. 5's, 2030	93	5.4

Operating Companies

	Recent Price	Current Yield %
Florida Pwr. Co. 1st 5½'s, 1979	93	5.9
Illinois Pwr. & Lgt. Co. 1st & Ref. 5½'s, 1954	91	6.0
Kansas Pwr. Co. 1st 5's, 1947	95	5.2
Virginia Public Service 1st & Ref. 5½'s, 1946	96	5.7
Wisconsin Pwr. & Lgt. 1st & Ref. 5's, 1956	97	5.1

Preferred Stocks for Income

	Recent Price	Current Yield %
Brooklyn Man. Trans. 6%	99	6.1
Consolidated Gas N. Y. 5%	99	5.1
North American 6%—$50 par	50	6.0
Public Serv. N. J. 5%	95	5.3
United Gas Imp'mt 5%	103	4.8

Common Stocks for Price Appreciation

	Recent Price	Dividend	Current Yield %
Consolidated Gas N. Y.	25	1.00	4.0
Consolidated Gas Baltimore	78	3.60	4.6
Commonwealth Edison	83	4.00	4.8
Public Service N. J.	57	2.40	6.8
Pacific Gas & Elec.	25	1.50	6.0
United Gas Improvement	15	1.00	6.6

Recently there have been several developments which have brightened the railroad prospect. Because of various shackles, the railroads failed to share in the business recovery last year, and until recently there has been nothing to suggest that current results would be any better. While the late trend of carloadings and earnings has been nothing to enthuse about, the legislative prospect for the rails has improved to a point where the roads would appear to be in a much better position to take advantage of expanding industrial activity from this point on. In May the Railroad Retirement Act was declared unconstitutional and this issue appears to be dead for at least the present session of Congress. As an offset to the final 5 per cent wage restoration on April 1 the carriers received a rate increase which it is estimated will add $85,000,000 to annual revenues. Further, the Senate has enacted a bill to regulate bus and truck competition and the President has since recommended that legislation be enlarged to include regulation of both coastal and intercoastal water carriers.

For the present anyway, the best investment opportunities both for income and profit would seem to lie in selected second-grade railroad bonds. Of the various equity issues, only those of the strongest carriers present themselves as worthy candidates, although it is to be admitted that many of the more speculative rail stocks could gain appreciably with further general improvement. For the present, however, it would seem advisable to withhold judgment and recommendations.

Railroad Bonds for Income and Price Appreciation

	Recent Price	Current Yield %
Baltimore & Ohio Conv. 4½'s, 1960	54	8.3
Erie R. R. Ref. 5's, 1967	66	7.6
Great Northern Gen. 4½'s, 1977	87	5.2
New York Central Ref. & Imp. 4½'s, 2013	63	7.1
Southern Railway St. Louis 4's, 1951	77	5.0

For the investor in a position to consider speculative ventures of the more radical type, attention is directed to the current article on the aviation industry appearing on page 292. As will be noted there the most desirable opportunities would seem to lie in the shares of those companies engaged exclusively in the manufacture of aircraft or aircraft accessories.

Among other leading industries, several have been purposely omitted from this discussion for various reasons. The automobile industry, which may justly lay claim to leading the country out of the depression, has passed its seasonal peak and until a more definite idea can be obtained of 1936 plans, the investor might well defer purchase of automobile and automobile accessory shares. In the metal group, the gold shares are still attractive for income and will continue so until there is a more appreciable rise in operating costs than has yet occurred. Silver shares are volatile speculations and depend too heavily upon the whims of the Government, while the copper industry has been unsettled by the passing of N R A and copper shares are likely to be retarded marketwise until clarification of the price situation. Meanwhile stocks on hand, although somewhat lower, are still very large.

Southern Pacific

(Continued from page 303)

Tex.; Albuquerque, New Mex., and Salt Lake City, Utah. The latter operates between Albuquerque, New Mex., and El Paso, Tex., on the west and St. Louis and Memphis, on the east. These bus lines have shown good incomes, Pacific Greyhound having had a net income of $784,744 in 1934, and Southwestern Greyhound a net of $379,849.

In connection with its motor bus operations, Southern Pacific has extended its store-door pick-up and delivery freight service, which was one of the contributing causes to the gains in revenues which the bus affiliates were able to report in 1934. A subsidiary of Southern Pacific, the Pacific Electric Railway Co., owns, through the Pacific Motor Transport Co., the Pacific Motor Trucking Co., which has acquired all of the highway operating rights and motor trucking equipment of its immediate parent company. The trucking company began operations July 1, 1933, and had operating revenues for the six months of that year, of $106,000, while its operating revenues in the full year of 1934 were $292,000.

Southern Pacific's rail lines, in many places, traverse the wide open spaces. Hence neither its freight nor its passenger traffic density equals that of the big eastern trunk lines. Freight traffic density represents the tonnage carried one mile, per mile of road operated, while passenger traffic density means the number of passengers carried one mile, per mile of road operated. As a matter of comparison we may take the New York Central. Its freight traffic density, in 1933, was 1,824,865, while that of Southern Pacific was 610,672. Central's passenger traffic density was 241,195, while Southern Pacific's was 62,363.

Long Haul Traffic Necessary

Long-haul traffic, therefore, is the main reliance of the Southern Pacific, and until the "in-between" places are built up and populated, this will so continue. And since much of the territory through which its lines run is desert in its nature, it is not probable that there ever will be the density of population that there is in the east.

Freight carrying by ship, via the Panama Canal, has long been a source of annoyance and of financial loss to the big east and west trunk lines, and this competition has most severely reacted on Southern Pacific. If the efforts that have been and are being made to modify the long and short haul rulings of the Interstate Commerce Commission are eventually successful, the company may be able to make long-haul rates calculated to meet the steamship competition, and thus add to its revenues. But of such a consummation there is no certainty.

Southern Pacific is a vast system. Its rail lines, aside from its main line, are more or less sprawling. Consolidation and concentration has not yet been perfected. But the company in the past has been a successful earner, and its management, under the leadership of Hale Holden, formerly president of the Chicago, Burlington & Quincy, is efficient. It has to meet not only the general problems that face all of the carriers, but its own particular questions. Naturally, much of its future is bound up in the general industrial and agricultural conditions of the country as a whole and of the sections which it serves, in particular. It has a comparatively heavy funded debt, but this is well within the claimed valuation of railroad property.

Dividend record of the stock shows that from 1908 to 1931, inclusive, the rate was $6 annually. In 1932 $1 was paid, and there has been no payments since that year. Nor is it apparent that resumption can be expected in the near future. Deficits in the past three years, while they have been progressively reduced, are still deficits. The glamorous and profitable days of

YOUR INVESTMENTS

ARE THEY IN NEED OF READJUSTMENT NOW?

AT no time during the past five years has the need for competent financial supervision been more acute! Legislation of great investment significance is likely to be enacted—the Banking Bill, the Guffey Coal Bill, the Wagner Labor Bill, the Wheeler-Rayburn Bill to regulate public utilities. The President's tax proposals give further demonstration of his antagonism toward big business.

On the other hand, private industry expects a "natural" business revival this Fall of huge proportions. Inflation through credit expansion has begun to take hold, and its effects will be reflected in an enlarged volume of trade and substantial changes in security values. "Easy" money conditions have caused widespread refunding operation, cutting the incomes of many investors in bonds and resulting, more and more, in an "overflow" of capital into selected, dividend-paying common stocks.

To the interested investor with an investment portfolio exceeding $20,000 in value we make an exceptional offer at this time. Without obligation, we will prepare for you a preliminary analysis of your holdings, in which we will frankly answer the following questions:

Is your diversification balanced?

Could your income be increased—is it equalized?

Which of your securities should be sold now? held temporarily? retained for the longer pull?

What are our reasons for many of these recommendations?

How could Investment Management Service help you?

What would our fee be for annual supervision?

Merely send us a list of your holdings and objectives, in as complete detail as you care to give. We shall then compile a confidential report pointing out any uncertainties in your position and explaining how our counsel would function in assisting you to strengthen your account. There is no obligation.

INVESTMENT MANAGEMENT SERVICE

A DIVISION OF THE MAGAZINE OF WALL STREET

90 Broad Street | New York, N. Y.

1929, when the company established a record net income of $47,434,000, or $12.74 a share, cannot conceivably return unless there is a marked—and one might say, miraculous-change in the industrial condition of the country. Only a slow and moderate improvement from year to year logically can be looked for. But there is evidence that such improvement has begun. Bank loans of $16,500,000 have recently been reduced to $5,000,000 and further reduction is expected. The loss incurred in the first quarter of this year was just over three million dollars, a million less than for the corresponding quarter a year ago. Further improvement is anticipated as the year advances which should find ultimate reflection in the price of the stock now selling around $19 a share.

Answers to Inquiries

(*Continued from page* 310)

in-hand with further gains in public purchasing power. While we anticipate no sensational improvement in the stock's market position, the shares are certainly believed attractive for retention on the basis of income and longer term appreciation.

INTERNATIONAL HARVESTER CO.

Do you believe further improvement in International Harvester is discounted in current market prices? Do you think the stock should continue to do better this summer? Would you continue to hold shares bought at 34⅜?—C. N. T., Louisville, Ky.

At the present time we see no need for hasty liquidation of the shares of International Harvester Co. already held by you. This company benefits from a world-wide distributing system of its products, which include not only farm operating equipment, but industrial tractors and motor trucks as well. In addition to being the leading manufacturer of such implements, the company manufactures gasoline and kerosene engines, and produces very largely the bulk of its own raw material. Last year the company reported a net income of $3,948,637 which compares very favorably with an operating deficit of close to $2,000,000 in 1933. Cash and marketable securities and government bonds alone were equal, at the year-end, to almost three times current liabilities of $22,386,818, and current assets were reported at $225,569,329. In a recent report of the president of the company the statement was made that present indications point to an increase in total volume of business for 1935 and that the demand for trucks in the 1½ ton class for both farm as well as commercial use has been increased considerably. This would seem to indicate that as time goes on the company is more and more becoming an important factor in the commercial and industrial field. In the first four months of 1935 the domestic as well as foreign sales were sharply higher than in the first four months of the previous year and as agricultural buying power increases through firmer prices for farm products, deferred orders for needed equipment undoubtedly will gain steadily. Thus, the two main divisions of its business—the commercial and the agricultural end, are signalling an uptrend, which over the long pull should have a bullish effect marketwise on the stock.

MAY DEPARTMENT STORES CO.

Is there any basis for believing May Department Stores could possibly increase dividends this year? Do you believe this accountable for the current position of its stock? Should I take a six-point profit now or hold?—H. V., New Orleans, La.

May Department Stores Co. operates six thoroughly modern stores in strategic locations in the cities of Baltimore, Akron, Cleveland, Denver, Los Angeles and St. Louis. In order to strengthen its competitive position in these communities, the management has made it a point to introduce numerous special features for the convenience of customers. In certain instances, garages for the use of its customers have been erected within easy walking distance, while beauty parlors, restaurants, barber shops, day nurseries and other such conveniences tend to attract trade. The management of the individual stores is centered in the respective units, but each has the recognized advantages of large scale purchasing either directly through or in co-operation with the New York office. Last year, dollar sales increased some $10,326,000 to $86,795,995 in line with improved conditions in the communities served by the various units of the company. Higher operating expenses under the N R A, however, tended to offset the gain in dollar sales with the result that earnings on the common stock for the fiscal year ended January 31, 1935, increased but slightly to $2.68 per share from $2.36 for the preceding year. At the date of the latest balance sheet, January 31, 1935, current assets totalled $32,559,817 and included cash and U. S. Government obligations of $10,339,359. Current indebtedness stood at $4,999,927. At the close of the last fiscal year, bonds and loans due serially totalled $10,028,000, but subsequent to that time, the company has redeemed $1,967,000 principal amount of such indebtedness which is represented by mortgages executed by its subsidiary real estate holding companies on properties leased to the parent organization. Although adverse weather conditions have tended to retard retail sales during recent weeks, the influence of more seasonal conditions is understood to be currently reflected in expanding purchases. With the demise of the N R A, profit margins have probably been reduced from last year, but operating expenses should tend downward so that results for the current fiscal year are expected to equal or exceed those of last year. With the regular annual $1.60 dividend on the common stock well covered by indicated earnings, and in consideration of the unusually liquid financial resources of the company, some increase in distributions later on would seem a logical expectation. Thus, we suggest further retention of your holdings.

AMERICAN SNUFF CO.

In line with the renewed advance in American Snuff and the declining rate of return, what is the wisest investment course now? Is a switch in order? Or do safety of dividend and further appreciation possibilities warrant continued holding?—G. S. L., Newark, N. J.

The record of American Snuff Co. extending over a period of more than thirty years attests to its managerial efficiency and the popularity of its brands which are distributed and widely advertised throughout the South. The earnings stability which is characteristic of the snuff industry has allowed a liberal dividend policy without in any way weakening the organization's trade or financial position. Last year, processing taxes and higher raw material and labor costs were substantially overcome by increased consumption resulting from generally higher purchasing power in the southern section of the country due largely to improved prices for agricultural products, particularly cotton. Thus, net income amounted to $1,972,542, equivalent, after allowing for dividend requirements on the 6% preferred stock to $4.06 a share on the common stock, or but slightly below the $2,002,093 or $4.13 a share on the common recorded for 1933. The balance sheet as of December 31, 1934, showed current assets of $14,703,293, including cash alone of $2,313,867, and current liabilities of but $947,924. Since the consumption of snuff is unlikely to show any falling off and may possibly register some improvement this year, earnings of the company for 1935 should at least equal those of 1934. Thus, con

tinuance of the regular $3 annual rate would seem assured, and in consideration of the exceptionally liquid treasury circumstances of the company, extras from time to time are probable. With low money rates, the demand for investment stocks of the subject type is expected to continue strong and, for this reason, we suggest that you continue your long position in the stock.

MARLIN-ROCKWELL CORP.

Last fall I bought some Marlin-Rockwell on margin at 19. I am well pleased with my appreciation, but I am debating the advisability of buying this stock outright as an investment, and any information you would care to give me regarding its outlook will be appreciated.—B. N. C., New York, N. Y.

Even though you have a very fair profit in your Marlin-Rockwell stock at the present time we are not currently suggesting its sale. Over the long pull it should do even better. This company is now an exclusive manufacturer of steel balls and ball bearings, although previously a manufacturer of furnace steel, tools and fire arms. At present, although the company receives substantial business from farm implements and similar industries, automobile and truck requirements account for by far the largest portion, and of course, this year the motor industry is enjoying its best year since 1929. The net income of this company last year was $538,258 which amounted to $1.58 a share on the capital stock as against a net income of $110,535 or 35 cents a share on the capital stock in 1933. The tremendous earnings' improvement is further reflected in the financial condition which, at the year end, reported current assets with over $2,500,000 in cash and marketable securities of $4,438,044, whereas current liabilities were only $172,670. For the first quarter of the current year earnings were equal to 56 cents a share as against 32 cents for the first three months of 1934. The company is well managed and is constantly benefiting from a very simple financial structure with no funded debt ahead of the 315,245 shares of capital stock. You will appreciate, of course, that this company's business follows very closely the rise and fall of automobile production and even though it has currently just about passed its seasonal peak, the industry as a whole, over the longer term, looks a great deal more healthy at this time than it has since the depression began. Marlin-Rockwell's management has shown a willingness to share profits with stockholders and as industrial recovery progresses, earnings of this company, in our opinion, should show up even better than those recently established.

CONGOLEUM-NAIRN, INC.

As compared with the progress Congoleum-Nairn made in the past two years, what do you think of its future as a dividend paying speculation? Do you still advise holding?—*G. S. B., Chicago, Ill.*

The earnings record of Congoleum-Nairn, Inc., has been considerably better than that of the average organization during the depression years. True, a declining trend in revenues became evident subsequent to 1929, but in the poorest year, 1932, the equivalent of 50 cents a share was shown on the common stock. In the following year earnings rose sharply to $1.66 a common share, while further improvement was noted last year when earnings of $1.71 a share on the common were the highest to be recorded since 1924. This record is due in large part to the fact that the company enjoys a fairly steady replacement demand and while curtailed family budgets necessitated the continued use of floor coverings which otherwise would have been discarded earlier, a considerable backlog of potential business was thus built up which became evident in orders with the lifting of depression influences. Thus, it is quite possible that the business improvement enjoyed by the company during the past two years cannot be taken as an indication of what may be expected in the future. However, the organization is constantly creating consumer demand through extensive advertising of its many colored floor and wall coverings and in view of the ease with which responsible parties may now finance remodeling and reconditioning of their homes, volume sales as yet give no evidence of diminishing. Although the company retired all funded debt and preferred stock early last year, working capital was reduced but slightly and at the close of 1934 there was about $8,000,000 of cash and government securities in its treasury. Current liabilities amounted to only $715,342. With the common stock having sole claim on earnings, continuance of the liberal dividend policy which has been maintained during recent years is indicated. Accordingly, we still feel that the shares should be retained, despite the advance which they have already enjoyed.

CONTINENTAL CAN CO.

With Continental selling at its high for the year, and in view of its low yield, are you advising its retention for further appreciation?—*M. E. U., Omaha, Neb.*

While it is true that Continental Can currently is selling at close to its high of the year, it is well to bear in mind that this company now is the

second largest unit in the metal container field and its capable management has built up its business so that at present Continental enjoys a business volume of slightly over one-half that of American Can, whereas a few years ago the ratio was about one-third. For the 12 months ended March 31, 1935, consolidated income report shows a net of $10,687,060, equal to $4.01 a share on the capital stock, against $7,942,941 or $3.02 a share for the 12 months ended March 31, 1934. As of the year end cash and government securities amounted to slightly over $15,000,000, an amount just about three times current liabilities of $5,361,665. The company has no funded debt and the outstanding capital stock amounts to 2,665,191 shares. Omitting 1922, dividends have been paid in varying amounts each year since 1915 and the company's expansion program has been largely financed through the issuance of stock. This has permitted fairly liberal disbursements without constituting a drain on the cash resources of the company. Following the 50% stock dividend in October, 1934, the new stock was placed on a $2.40 annual basis, equal to $3.60 on the old stock and making the highest relative dividend rate in the history of the company. From the medium and long term future the demand for cans seems moderately promising. The carry-over of canned goods in 1935 was by far the smallest in many years, and currently the company has developed wider uses for containers, notably, the non-tamperable cans for marketing motor oil which, over the last couple of years have enjoyed increasing favor among users. Starting originally in the East, the company, through a steady program of aggressive expansion took over companies in the middle Western states and later in 1926, obtained a foothold on the Pacific Coast. Other domestic companies were taken over in the South and, in our opinion, this organization is well geared to go into a real period of industrial recovery.

NATIONAL DISTILLERS PRODUCTS CORP.

I have 100 shares of National Distillers bought at 24¾. I note it has not done as well as many other comparable issues in recent weeks, and I am wondering if you would advise me.—B. McW., Madison, Wis.

The recent unimpressive market action of National Distillers Products Corp. may unquestionably be accounted for by indications that earnings this year will fall considerably below those of last year when the equivalent of $5.51 a share was shown. This seems to be borne out by the fact that earnings for the quarter ended March 31, last, equalled only 65 cents a share, whereas earnings for the same quarter of the preceding year amounted to $1.90 a share. Nevertheless, with the industry called upon to meet unusual demands to stock both wholesalers and retailers during the months immediately following repeal, earnings of the subject organization during that interval are hardly a criterion of what to expect now. Obviously, the industry as a whole, faces a serious problem—competition. In the face of this and ever mounting stocks of aging whiskies it will probably be difficult to maintain profit margins. Considering the leading trade position and financial strngth of National Distillers, however, there is little question as to this company's ability to come through a period in which some of its less strongly entrenched competitors may be forced to the wall. Of favorable significance to the industry, of course, is the more effective control of illegal production, recently in evidence, which may be expected to divert considerable business to the legitimate organizations in the field. Taking advantage of easy money rates, National Distillers recently marketed an issue of $15,000,000 principal amount of ten-year 4½% debentures, the proceeds from which are to be used to retire floating debt and for other corporate purposes. These debentures represent the only funded indebtedness of the company and its wholly owned subsidiaries, preceding the 2,022,083 shares of common stock. Even though earnings fall well below those of last year, they should continue to justify present quotations for the stock over the balance of the year at least. For one willing to exercise a degree of patience, longer term potentialities are by no means believed discounted and, on that basis, holdings should be left undisturbed.

Business Prospects for the Third Quarter

(*Continued from page* 285)

construction, from a level of acute depression. We have here a creeping recovery, rather than a prospective development of sufficient weight in the early future to give general business volume a significant upward push.

There is, of course, no element of surprise or disappointment in the third quarter outlook as above analyzed. The season is normally one in which aggregate business activity falls materially under that of the first and second quarters. The most favorable probability is that the bottom of the current recession will leave business at a substantially higher level than at the bottoms of the reactions of 1933 and 1934. In thus retaining, as net gain, a larger percentage of the recovery of preceding months than was done in either of the two preceding years, the chances are enhanced that the year as a whole will leave us at a new high of recuperation.

What stands out above all is that the final drive against the depression is going to be won, if won at all, by business, with declining help from the Government. It is to be hoped that it will be also with declining obstruction from the Government.

As for the stimulation of emergency spending, it turns out that the much propagandized $4,000,000,000 work-relief program is going to be another C W A pop-gun. It will not conquer the depression in the third quarter or, for that matter, in any other quarter. Realization of the sheer futility of more "pump priming" probably will be a good thing in concentrating the national attention on the real job of private recovery, with business as usual doing the work, making the plans and carrying the load.

Possibilities in Bond Arbitraging

(*Continued from page* 297)

range from a top quality issue like Pennsylvania Consolidated 4s and 4½s to the highly speculative type of bond like Southern Railway Development & General 6½s, 6s and 4s. The principle is also applicable, of course, to Governments because of the generally equal security in these obligations. In fact, in the current day of steadily shrinking interest rates, arbitraging presents an attractive means of building up income without the necessity of reaching out for more speculative bonds and weakening portfolio quality.

Of course, in all such arbitraging the major premise is assumed that the investor has in his portfolio an issue in which he wishes to stay at least for a few months. Moreover, markets often change very rapidly and volume selling can cause a quick shift in prices before very many bonds can be arbitraged. In most cases, however, the deepening of spreads in prices among arbitrage bonds is attributable to a special cause—usually account liquidation—and the market often can absorb a considerable amount of arbitraging without shifting greatly. Ultimately, however, it irons out the technical discrepancy, swinging prices back to a more normal spread—to the gain of the arbitrageur.

Sometimes special developments in a company might cause a general decline in all the issues under one mortgage against the trend of the market, but arbitraging at the right time will minimize the losses due to such a trend, while in a rising market it will add substantially to the ultimate profits to be gained.

Standard Oil vs. Standard Oil

(Continued from page 304)

is little likelihood that they will be renewed.

With all of this territorial invasion on the part of the Standard Oil companies, the action of Standard Oil of Indiana is the first instance where the protection of the courts has been sought. Apparently, President Seubert of the Indiana company considered the recent tactics of the Standard Oil of New Jersey not only flagrant but damaging. In support of his case he cites the fact the Jersey trademark "Esso" is merely the letters "S" and "O" spelled out and Standard of Indiana has been marketing "SO" oil and gas in its territory for more than 40 years. He further points out that the Jersey company in its service stations in St. Louis employs precisely the same color combination as the Indiana company—red, white and blue.

On the side of the Jersey company it may be said that both its trademark and color scheme have long been used by it in its own territory and, in its invasion of the St. Louis area, Standard of New Jersey was at pains to advertise that it had no connection with the Indiana company. Nevertheless, the latter has requested the court to grant an injunction against the sale of "Esso" products in the 14 states served by the Standard Oil of Indiana. Doubtless Mr. Seubert feels that inasmuch as his company marketed its products under the name of "Amoco" when they entered active competition along the Atlantic Seaboard, the Jersey company should at least refrain from copying his trademark, even should it be guilty of such offence by inference only.

Standard of New Jersey registered its trademark in the State of Missouri, but it is contended by legal experts that the registration of a trademark either with the Federal or state government means little or nothing and that prior use of a brand name establishes its ownership wherever it may be sold. This is the important point to be settled by the present controversy between these two great oil companies, and the final decision may have

MARKET STATISTICS

	N. Y. Times	—Dow, Jones Avgs.—		N. Y. Times —50 Stocks—		
	40 Bonds	30 Indus.	20 Rails	High	Low	Sales
Monday, June 17	81.71	118.67	33.37	97.17	96.24	908,010
Tuesday, June 18	81.81	119.32	33.93	97.60	96.43	885,930
Wednesday, June 19	81.90	118.12	33.36	97.74	95.59	1,626,269
Thursday, June 20	81.94	117.24	33.02	95.89	94.37	996,820
Friday, June 21	82.10	119.48	33.56	97.91	96.09	1,517,340
Saturday, June 22	82.24	120.75	33.54	98.73	97.56	787,070
Monday, June 24	82.38	120.04	33.45	98.97	97.75	1,116,770
Tuesday, June 25	82.36	118.73	33.14	97.40	95.95	1,144,490
Wednesday, June 26	82.19	117.64	32.76	96.93	95.35	957,380
Thursday, June 27	82.01	117.56	32.63	96.12	94.92	736,858
Friday, June 28	82.13	118.36	32.83	96.63	95.64	757,020
Saturday, June 29	82.18	118.21	32.87	96.24	95.86	252,980

a decided bearing upon the future competitive tactics in the oil industry. In the meantime, Standard of Indiana has a very excellent hedge against the outcome, in its ownership of 1,778,973 shares of Standard Oil of New Jersey stock.

As I See It

(*Continued from page* 279)

mine the Constitution by flouting it. His administration has violated almost every pledge of the platform on which he was elected and has been in direct antithesis to his personal views and ideas as expressed during the campaign. Not satisfied with the constitutional powers of the Presidency, which are far greater than those of any constitutional monarch, he has constantly sought to enlarge them by the exercise of the moral authority which a great crisis has given him.

He has paid little attention to the counsel of sound men and has surrounded himself with irresponsible theorists, dreamers and political and economic quacks. He has steadily endeavored to impose his erratic will on Congress, treating it as a mere instrument of the executive power, and he has even meditated the emasculation of the Supreme Court.

Intellectually, Roosevelt is inconsistent to the point of insincerity. He has no deep understanding of economics and consequently pursued a course of dangerous experimentation which has resulted in prolongation of the depression. He has been in power for twenty-seven months, and since his schemes have been put into practice there has been no net reduction in unemployment and no consistent encouragement of business revival. He continues to spend billions in doubtful experiments but does nothing to help the natural revival of business, and continues to stir unrest by demogogic appeals. There is even great danger that the huge sum of $4,800,000,000 may be used as patronage.

The nation has now had ample time to size up the President's character and caliber. Judged by his record, his acts and his public communications he appears as a man of winning personality. He also appears as a statesman who cannot be depended upon. He has courage accompanied by vacillation. His mental processes are procrastinating, ending in sudden decisions taken on the impulse of the moment. He may start out with intentions that are good and high but if thwarted in his desires will strike back blindly and injudiciously, regardless of where the blow falls, so great is his desire for domination. To gain his point, he will frequently use the methods of the lowest grade politician. A pettiness in character is shown by his disregard of advisers who differ with him, by his intolerance of ability in his political circle, by his fatuous favoritism for "yes men," by an egotism which makes him impervious to fact and fair criticism. His general ineptness for his job since the first few months—during which the adoration of the masses turned his head—is demonstrated by the stubbornness with which he has pursued courses which delayed if they did not aggravate economic disorder and the ardor with which he has pursued reforms which should have been gradually brought about by evolution. He is like a doctor who being called in to stop a hemorrhage has first devoted himself to an effort to rebuild and improve the patient's general anatomy and physiology. Our political and social system undoubtedly needed regeneration but we were bleeding to death—and still are.

To sum up, it appears that Fate has handed us the wrong leader for the times. It has given us a man of mediocre intellectuality, limited understanding of government and economics, exaggerated self esteem, undependable, given to ambiguity, and ready to put himself above law and custom. All of this goes with an impeccable record of honesty, clean morals, decent living, gentility, high aspiration, real devotion to the public good and lofty patriotism and a personal allure which binds countless millions of people to him in any course he may choose. He is at once a dangerous and a beloved leader.

It is not the first time that the flaming torch of idealism has been carried in the hands of such a man. In the past the spoils have fallen to the crafty and the irresponsible who sat on the sidelines, urging on along the path which leads a nation to destruction. We must gird our loins and fight for our liberties and our future!

Happening in Washington

(*Continued from page* 283)

be more powerful in speeding action than the President's wishes.

New Deal economists are rejoiced over a new book by the Brookings Institution here entitled "The Formation of Capital," which comes to the conclusion that "the primary need at this stage in our economic history is a larger flow of funds through consumptive channels rather than more abundant savings." This supports the New Deal contention that the durable goods industries will inevitably revive if spending can be kept up. The brain trusters assert that there is plenty of capital and that it has now been demonstrated through refunding bond issues that the Securities Act does not inhibit investment. Hence the nation can spend itself into prosperity by developing a consuming capacity that will impel the producers goods industries to enlarge the capacity of production for consumption. The Brookings finding is grateful salve for the wounds it inflicted on the New Deal when it found that N R A was an economic flop. By the way, this Brookings series bearing on current problems is worthy of reading by all business men who want to get the point of view of trained economists who approach their studies from a background of orthodox economic theory but are not slavishly bound by tradition. Besides "The Formation of Capital", "America's Capacity to Consume" and "America's Capacity to Produce" have already been published. "Income and Economic Progress" is yet to be published. The whole series is related most intimately to the subject of the distribution of wealth.

Aircraft Opportunity at Hand

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it as possible is the need for keeping the American aircraft industry healthy and prepared to fill the requirements of national defense in any emergency. That has been an axiom among military men since the World War, and it was not until two years and a half ago that official Washington seemed to be ignoring it. European governments, of course, have always tried to maintain exceptionally strong aircraft industries, and their efforts to capture the foreign trade have been mostly to build up their own reservoirs of equipment against the day when they might need huge quantities.

No nation surpasses the United States in technical development of aviation. No nation can as yet compete with us in design, construction and equipment. Few if any foreign planes can execute the manoeuvers of American ships without revealing serious mechanical deficiencies. Despite our progress in development, however, our total air forces have been permitted to fall behind in numerical strength. The Army and Navy combined had 1,809 combat planes in 1932. A few months ago these services had

about 2,060 combat planes, but fewer than 1,600 were modern enough for an emergency. There was no contradicting the assertion made by strategists that these planes represented less than half the number necessary to place the United States on an equal footing with other powers.

France today has 3,600 combat planes, and her 25 aircraft plants are working 24 hours a day to supply an ever-increasing number of modern planes. The British, with about 2,800 combat planes available throughout the empire, are appropriating huge sums for new machines, and the Government has requested the industry to give priority to military orders until further notice, even if it means relinquishing Britain's share of the foreign trade in aircraft products. The disturbed conditions throughout the world have stimulated air force development to a remarkable degree in recent months, even though air power, with a great industry capable of sending an unceasing supply of superior planes to the front lines has been an objective of the larger governments since the World War.

Hitler's rearmament program and discovery of the fact that German aircraft plants are turning out from ten to thirty war planes a day have given the former Allies a bad case of jitters. And small wonder, when one hears of Germany's activities, how Germany has perfected a radio device which now permits her to send planes out to London or Paris and back again, their pilots guided solely by radio directions from the home station. If that is true, then Germany can do what she often failed to do in the last war. With international boundaries closely guarded during hostilities all the landmarks were obliterated, so that the German raiders invariably had difficulty navigating over enemy territory. Little imagination is required to visualize what might be done if German raiders can fly true to their objectives and return again independent of anything except their own facilities. The British and French also are disturbed by the fact that invariably German air line planes arriving at London and Paris have different crews on every flight, indicating that there is an extraordinary amount of intensive training of new personnel on those routes.

Then there is Russia, with about 3,000 combat planes at the beginning of 1935 and a construction program permitting her to turn out several multi-engine bombers every day in the week. That frightened the Japanese into building up their air forces beyond anything even contemplated a few years ago. Japan knows that Russian planes concentrated in the Vladivostok area can sweep down and bomb the Japanese industrial districts out of existence, and the only thing that might stop them would be a superior air force. Hence Japan is adding to her present fleet of about 2,000 combat planes an average of two planes a day, according to reliable information.

Both Congress and the Administration apparently recognize the possibilities of a situation in which the United States holds fifth place in numbers of combat planes; and in the last few weeks they have taken steps to rectify it. With the 600 new planes recommended by Secretary Dern in his annual report last year the Army Air Corps would have only 1,400 combat planes fit to fight a war; and that is far short of the 2,300 which the Baker Board after its investigation last year, decided was the absolute minimum required to maintain the army air force in a state of fair preparedness. The Navy, with about 600 combat planes fit for active service, requires a total of 1,910. Both services also need a steady number of machines to replace those falling into the obsolete class.

Encouraging then is the attitude of official Washington which permitted a total of about $19,000,000 to be appropriated for new Army planes, engines and parts to be ordered during the next fiscal year beginning July 1, at the same time adding $3,000,000 for the remaining 1935 contract authorizations. At this writing the Navy bill for new aircraft construction has passed both houses and is in conference. It provides more than $26,000,000 for new aircraft, engines and parts, including $8,000,000 for the 1935 contract authorizations. The Senate wants certain amendments, but it is considered doubtful if the total amount will be reduced materially.

All told the Government may spend $48,000,000 on new aircraft equipment during the next fifteen months, not to mention the $10,000,000 for domestic air mail, a more or less liberal appropriation for foreign air mail on lines of the United States, and possibly two or three million additional for equipment to be used by the Bureau of Air Commerce, U. S. Coast Guard and others among approximately twenty Federal bureaus using aircraft in one way or another.

The President has just signed a $460,000,000 Naval Supply Bill. Bids for thirteen new vessels will be opened August 7, next. In view of the manner in which the American navy is to be built up, the remarks of Admiral William H. Standley, Chief of Naval Operations, becomes very significant. He said that a need for greater useful flying radius was still apparent after the recent fleet manoeuvers in the Pacific.

This would seem to foreshadow orders for improved-performance naval aircraft and is yet another straw showing how strongly the wind of increased prosperity is blowing toward the airplane and all pertaining to it.

Taking all of these developments into consideration it is apparent that those companies engaged in the manufacture of aircraft should be in especially favored position in the months to come. It is believed that the commercial market will be at least as strong as last year, when 772 commercial planes worth about $9,000,000 and 2,048 commercial aircraft engines worth about $10,000,000 were produced in the United States, including those for foreign orders.

For all this optimism, however, one should not conclude that he can invest in any aircraft stock and make money. Fly-by-night companies will spring up in any industry. The careful investor in aircraft stocks will first make sure that his companies fly by day as well as by night!

Colgate-Palmolive-Peet Co.

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principal brands, "Palmolive", "Octagon", "Colgate", "Cashmere Bouquet" and "Super Suds", are known to every family in the nation and, in addition, to a very large number abroad. Colgate-Palmolive-Peet also is an important factor in shaving creams, dentifrices, talcum powders and other toilet preparations. Although the parent company is comparatively youthful, the business of its constituents

Earnings Per Share 1934	Earnings Per Share 1933	Div.	Recent Quotation
$1.16	Nil	$0.50	$16

goes back many years, that of Colgate & Co. to 1805.

Despite, however, a vast goodwill with the public and a firmly entrenched trade position, Colgate-Palmolive-Peet suffered severely during the depression. It never actually showed an operating loss, but the steady operating income in the neighborhood of $10,000,000 which was reported for the years 1929, 1930 and 1931 fell to $1,500,000 in 1932, or less than the sum required to cover preferred dividends even prior to deductions for depreciation, taxes, etc. In 1933 there was some improvement and in 1934 considerable improvement. For last year, the company reported a net profit of $3,744,107, after Federal taxes and other deductions. This,

after dividends on the 6% preferred stock, was equivalent to $1.16 a share of common stock, excluding that in the treasury. The first half of last year was considerably better than the second half owing to an unusual stocking-up on the part of dealers in anticipation of higher prices. But when the processing taxes on certain oils came along in May, 1934, the company experienced difficulty in passing along the increased cost and as a result profit margins in the latter part of the year were not satisfactory.

The capitalization of Colgate-Palmolive-Peet is simple. Aside from a small minority interest in a foreign subsidiary and an insignificant mortgage, the only capital liabilities of the company are 248,197 shares of 6% cumulative preferred stock, of which 860 shares are held in the treasury, and 1,999,970 shares of common stock, of which 53,347 are held in the treasury. Financial position at the end of last year was strong, current assets of $39,139,171 being about seven-and-a-half times current liabilities of $5,174,523. Included in current assets was some $11,000,000 in cash or its equivalent.

Although no official report has been made later than December 31, 1934, it is believed that profit margins are still not all that might be desired and also that competitive conditions within the company's field continue as keen as ever. Nevertheless, Colgate-Palmolive-Peet has an enviable trade and financial position which should enable it to weather with comparative ease the current difficulties. Selling around $16 a share, the yield on the regular 50-cent annual dividend is 4%. Towards the end of last year an extra of 25 cents was paid.

Significant Foreign Events

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deprived of active foreign support, was able to muster up only the weakest of resistance and, in the main, acquiesced to Japanese demands. These demands virtually require the withdrawal of all troops from inner Mongolia and a dismissal of government officials unfriendly to Japan. Unless strongly backed by European and American opinion nothing can stop the steady march of Japan into Chinese territory. But it appears that at the present stage at least, neither Great Britain nor the United States is anxious to force a show down on the issue of Japanese imperialism. In America we are torn between the horns of a delicate dilemma; faced with the necessity of maintaining our outlet in Japan for cotton and, at the same time, preserving the potentialities of the Chinese market for our manufactured products. In any event, near-term developments in the Far East cannot help but directly influence the outcome of the Naval Conference; to be held later this year, following the denunciation by Japan of the Washington Treaty, which become inoperative after December, 1936.

Sharing the Wealth

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system that has proved compatible with liberty. It has had only 150 years to work toward that goal, but it has given men more liberty than they had since they were savages.

Karl Marx got hold of a priori idea that the profit and "surplus" of capitalism are nothing but the exploitation of labor, and his factitious "dialectic" taught that inevitably capitalism would destroy itself by continuously curtailing labor's share of production, finally reaching a point where the starving and oppressed masses would rise in bloody revolution. Actually, the workers of the world have steadily gained in income, property and general physical well-being since Marx laid down the law and the prophets of his doctrine in the manifesto of 1847. His predicted revolution finally came in the one country of the world where capitalism had hardly had a chance; and the workers have not been much impressed by what socialism has accomplished there, even with a clean slate to start with.

What has happened during the depression is after all merely a tragic episode brought on by another tragic episode—the war. Comparisons should be made of prosperity with prosperity. That national wealth is a third less than it was in 1929 and that income has been cut 40 per cent and 9,000,000 persons are unemployed is an accident rather than a trend. We have all the wealth we had before in the sense of material property—and more. Capital has made it easy to build public works during the depression, and its dreaded "surplus" has sustained income including wages, and kept the economic machine intact. When normal economic activity returns with automatic price mark-ups national wealth will quickly shoot above former levels, as a mere matter of statistical calculation. So, too, with income. History shows that the income of the American people in mass, and broadly, in the unit has gained a new peak after each depression. Moreover, slowly but surely, labor gets a larger and larger share. This last depression has forced interest rates down to levels that may be perpetual. Through the further efficiency of production, if capital is not thrown and bound by law, labor will get more. Public control there must be—always has been. But the point is that capitalism has created political liberty, given us democracy, which permits feasible economic control to the masses even though ownership is to the minority. Before the era of capitalism the masses had neither political nor economic liberty—and they will again have neither if the nuts who are now so blatantly vociferous in their disregard of human nature and capacity, of lessons of history and the limitations of law, have their way. Capitalism, which has already approached to a solution of the problem of sufficient and efficient production will go on, if not destroyed by its beneficiaries, to the solution of the complementary problem of abundant distribution.

For Profit and Income

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ment. Although no more recent financial report is available than that which was published for the fiscal year ended September 30, last, showing earnings equivalent to $2.29 a share of common, the company certainly has done better and the coming report will be even more satisfactory. Currently paying 25 cents quarterly on the common, Food Machinery seems to be a candidate for enlarged disbursements to stockholders.

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Big Demand for Tax-Exempts

For some weeks the market for tax-exempt bonds has been somewhat lethargic. However, President Roosevelt's program to outlaw the issuance of such securities—which, of course, would not be made retroactive—galvanized the market into renewed activity. States and municipalities are currently obtaining loans at the cheapest rates on record. The strength and activity of the market for public securities communicated itself to the high-grade corporate market. Sooner or later it would seem that the heights to which high-grade bonds of all kinds had been driven would cause investors to be satisfied with a little less safety—something which would mean higher prices for medium-grade bonds and continued strength in the sound dividend-paying stocks.

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